



EUROPEAN NEWS

Spain plans \$1bn a year investment to update railways

BY DAVID WHITE IN MADRID

PLANS FOR spending more than \$1bn (£700m) a year on Spain's railways between now and the end of the century are due to be submitted for Cabinet approval.

The project drawn up by the Transport Ministry and the heavily loss-making state rail network, RENFE, is aimed at providing a "high-speed and high quality" service in line with "the best in Europe" and at increasing passenger and freight capacity by 60 per cent.

Mr Abel Caballero, Minister of Transport, Tourism and Communications, said the plan, involving total spending of Pta 2,092bn (£10.8bn), would be "the most important railway investment this century".

The Government, he said, had opted for the maximum investment it could afford in order to break away from the country's traditional, slow and ill-reputed rail system. However, Spain had decided against changing its wide-gauge track to conform with the continental European norm.

Focusing on the introduction of 200 km-an-hour sections on the busiest inter-city routes and on bypassing tortuous mountain passes, the plan follows cutbacks on low-traffic sections of the network.

A third of the proposed investment—Pta 693bn—would be borne directly by the Government, destined principally for new sections of line, the doubling of current tracks and improvements in the Madrid, Barcelona and Bilbao suburban systems. The main items in the remaining Pta 1,399bn coming from Renfe would be new rolling stock and other equipment, renovation of track, safety measures and promotion of freight services.

The biggest project of all is a new route south from Madrid to Andalusia which is expected to top more than three hours off the travelling time between the capital and Seville, currently between seven and nine hours. Renfe would have responsibility over the whole programme, subject to its periodic contracts with the Government. This year it is completing a three-year contract which at the outset envisaged government support of Pta 706bn and a 26 per cent reduction in Renfe's annual deficit to Pta 128bn. However, Renfe's losses are now running at around Pta 200bn a year.

Turkish economic growth exceeds expectations

BY DAVID BARCHARD IN ANKARA

THE TURKISH economy is continuing to grow faster than expected according to a report published yesterday by the State Institute of Statistics.

Gross National Product grew by 7.9 per cent in the nine months ending in September, compared to 5.1 per cent in the same period last year. Most of the growth came from the manufacturing sector which grew by 10.5 per cent and agriculture which grew by 7.2 per cent after the best harvest for several years.

Though this is the strongest performance by the Turkish economy for more than a decade, the increase appears to have come largely from domestic demand as exports are below last year's levels after setbacks in Turkey's Middle Eastern markets.

On the advice of the International Monetary Fund, the government has lowered its target for GNP growth next year to 5 per cent. Bringing inflation down below the 25 per cent mark and handling Turkey's external debt payments, expected to reach \$5.1bn (£3.6bn) or about 10 per cent of GNP next year, are the main goals. With the current account deficit for the first eight months of the year at \$1.2bn, nearly three times last year's levels, bankers are monitoring the foreign exchange situation very closely.

State of Emergency lifted  
Just under eight years since martial-law was proclaimed in Ankara in December 1978, the Turkish capital has finally returned to normal civilian administration with the lifting of state of emergency regulations.

LAW TO ALLOW LIMITED PRIVATE SECTOR MAY DIRECTLY AFFECT 2M TO 3M PEOPLE

Moscow invites moonlighters to come in from the cold

BY PATRICK COCKBURN IN MOSCOW

BY THE END of next year, 2m or 3m people should have started to take advantage of a Soviet law allowing them to hold a second job in the private sector. Mr Ivan Gladky, chairman of the State committee for Labour and Social Issues, said this week, after the legislation was passed by the Supreme Soviet, the Soviet parliament.

Eventually, the number may be far larger. Soviet social scientists estimate that between 17m and 20m people out of a total labour force of 129m people participate in the secondary economy in the Soviet Union, though this is invariably in addition to another full-time job.

The new law names 29 different types of individual labour which will be legal. This includes everything from private taxis to house repair and mending fishing rods, but the list is not exhaustive and may be added to by local authorities.

Those who currently supplement their earnings by part-time jobs and individual labour are most usually in food production or services. Demand for both has risen sharply over the past 25 years, as money incomes have outstripped the production of consumer goods and the Government has held the price of basic foods unchanged since 1962.

"Try to get your flat repaired," Mr Mikhail Gorbachev challenged an audience in Leningrad soon after he became leader. "You will definitely have to find a moonlighter to do it for you—and he will have to steal the materials from a building site."

The concentration of state investment on industrial development, neglect of the consumer sector, and the imbalance between prices and rising incomes have all encouraged the growth of a massive secondary economy. Soviet specialists estimate that in cities private handymen repair 50 per cent of all shoes, 45 per cent of all apartments, 40 per cent of cars and 30 per cent of all large household appliances.

In the countryside, where services are worse, the figure rises to 90 per cent. Given that there are 80m apartments and 15m cars in the Soviet Union, this is very big business. The size of the secondary economy is also underlined by surveys of family expenditure showing that a third of all spending is in the secondary economy, not including the high priced peasant food market.

The aim of the new law, which comes into effect from May 1 next year, is to distinguish between individuals who work and businessmen who employ others. The latter remains strictly forbidden and is never likely to be countenanced by the Communist Party on the grounds that this really would allow capitalism to get a foot in the door.

What will be the impact of the new law? The full text has not yet been published, but it will have three big effects: It will legalise a large part of the secondary economy, primarily but not wholly in the service sector. It will enable the high incomes sometimes earned by individual craftsmen to be taxed.

In the republic of Latvia on the Baltic, for instance, half the money on deposit in the banks is held by 3 per cent of depositors, the average account of this top layer being 20,000 roubles (£20,000).

The private sector will expand and become better organised. Mr Gladky says there is nothing in the legislation to stop somebody opening a cafe. Local Soviets or councils have been granted the power to decide who will be able to hold an individual job, but this will vary in different Soviet republics.

There is a vast difference, depending largely on tradition, on the extent of the service sector, which is larger in the Baltic or Black Sea areas than in the central Russian cities, where it is limited.

The legalisation of a large part of the secondary economy is being accompanied by a crackdown on the black market and on corruption. In certain sectors of the economy, such as food retailing, corruption had become all-pervasive by 1982, when the present clampdown started. State inspectors, who carried out last year's nationwide Moscow on one day in that year, found they were checked in 150 out of 192 cases.

The law immediately raises the question of whether the general pattern of state control of the Soviet economy is altering. While the change is likely to be important in living and the availability of consumer services, there is no evidence that it will alter the economic and social balance of power in the country.

Even a much wider measure of free enterprise would not have the impact that such reforms have had in China because two-thirds of Soviet citizens live and work in cities, in contrast to China, where most of the population are peasants relying on individual or family labour.

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Warning to Opposition in Portugal

By Peter Wise in Lisbon

PORTUGAL'S Conservative Prime Minister, Mr Anibal Cavaco Silva, marked a year of government yesterday with a stern warning to Opposition parties that to topple his minority Administration would be their own downfall.

The Prime Minister, assembling his entire Cabinet for a news conference only a few hours before a key vote in Parliament on the 1987 budget, said the Opposition would be severely judged at the polls if it dared to challenge the Government on its present record.

He referred in his speech to sharp improvements over the past year in inflation, investment, real earnings, welfare benefits and the trade balance.

But he accused Opposition parties of hindering progress by defeating or revising several key government bills and of tying down others in committee.

The main Socialist opposition party announced it would vote against the budget shortly after the Prime Minister's statement.

The budget aims at continuing the moderate expansion of the past year, with economic growth set at 4 per cent.

Leaders of Nasa and ESA attempt to solve problems Disquiet over space station plan

THE LEADERS of the West European and US space agencies are meeting in Washington today in an effort to unravel serious difficulties arising from the two organisations' plans for co-operation on an international space station.

Prof Reimar Luest, director general of the 11-nation European Space Agency, is to discuss the matter with Dr James Fletcher, administrator of the US National Aeronautics and Space Administration.

Prof Luest said the US desire to have the final say on operating the space station was blocking negotiations on collaboration. Without rapid progress, said Prof Luest, "it does not make much sense to talk about a partnership."

Following an invitation nearly three years ago by President Ronald Reagan, the European agency, together with Canada and Japan, is holding detailed talks with Nasa and the US State Department on the role other countries could play in the orbiting base.

The station—due to cost about \$12bn, with \$8bn coming from Nasa and the rest from the other nations—is due to be in service in the mid 1990s.

With a crew of eight, it would house workshops for scientific experiments, in low-gravity materials processing for example, and act as a base for the repair of satellites.

Under the original schedule, the US and the Paris-based ESA had been due to reach agreement by the end of this year on which elements of hardware the two sides would contribute to the station, together with the principles by which the base would be run. This would allow full-scale development to start next summer.

According to Prof Luest, progress has been "less than satisfactory". The main stumbling block, he said, was the insistence by the US that it would have the right to veto decisions by the Europeans over operating their part of the base. This is planned to be a laboratory module called Columbus, which (like a similar workshop which Japan is due to provide) would plug into the US core of the station.

"They (Nasa) say that most decisions over operations will be by consensus in a committee," said Prof Luest. "But if a consensus cannot be reached, the chairman will have the final say—and he will always be American."

Prof Luest's views express the intense disquiet felt by space officials in Europe that the US is treating Western Europe as a junior member of the team devising the space station, rather than as an equal partner.

With the US's own manned space programme in disarray as a result of the Challenger shuttle disaster in January, it is felt that Europe—with a vigorous space programme of its own—could make a significant contribution to the orbiting base.

If the US did not concede to the Europeans' views, said Prof Luest, Western Europe could push on with a plan to build a manned orbiting platform that was independent of the US.

Other points regarding the space station on which agreement is needed include:

Finnish group wins order from Soviets

By Sara Welch in Stockholm

OUTOKUMPU, the Finnish state-owned mining and metals company, has won an order worth Fmk 150m (\$30m) from the Soviet Union to supply engineering equipment for an asphalt plant near Kirovsk, in the Kola Peninsula.

Over the next three years, Outokumpu will provide flotation machines, pumps, advanced automation systems for plant control, and the necessary electrical power for a new section of the plant in order to increase its capacity.

Outokumpu has already sold just under Fmk 100m worth of engineering equipment to the Soviet Union in the last two years, and is aiming for a bigger order for engineering equipment.

Ericsson, the Swedish telecommunications and electronics group, is to supply six Aze digital switches to US West, one of seven regional Bell operating companies, for networks at Mountain Bell, North Western Bell and Pacific North West Bell.

The six Aze switches will be used as signal transfer points between telephone central offices and centrally located data bases, rather than for subscribers, and should allow US West to provide new services for its customers.

Operating costs. How these costs—which could run to several billion dollars a year—are to be shared out between the participating countries is still undecided.

Experimental hardware. The participants in the venture have yet to decide on which types of hardware—such as furnaces for growing crystals or equipment to produce drugs under low gravity—will be installed in each area of the station. Agreement on this is needed to avoid duplication.

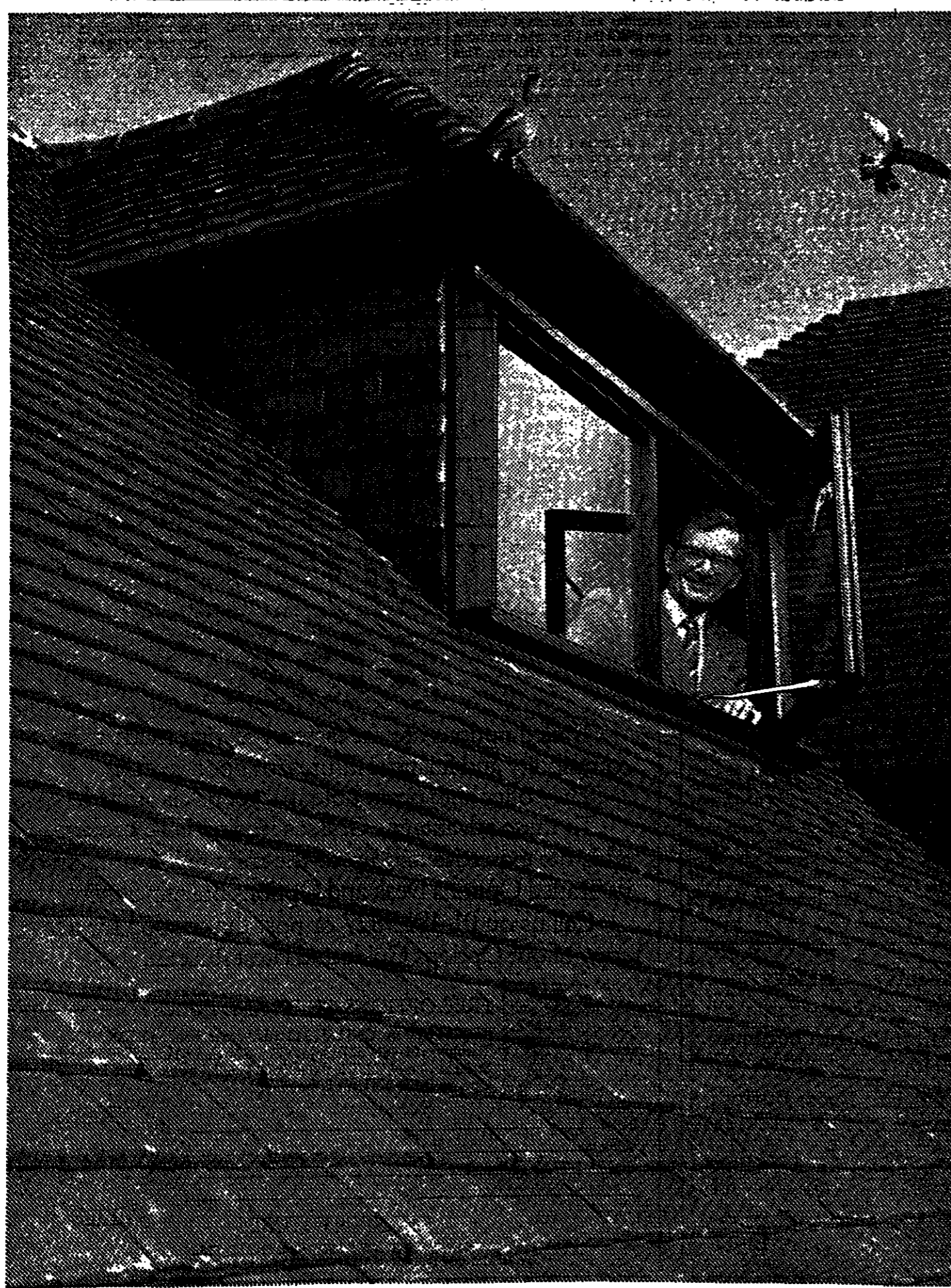
Legal rights to commercialising inventions on board the station. The US, according to ESA, argues that US law should apply to subjects such as patent rights. The European agency says a new international legal framework should be set up to cover the uncharted area of working in space.

The rights of non-US vehicles to carry people and materials to and from the station.

Western Europe wants the US to agree that the other nations in the venture have a fundamental right to use their own manned carrier vehicles.

The US is hedging on this point, arguing that Nasa's space shuttle fleet should be the principal transport craft.

Other points regarding the space station on which agreement is needed include:



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# FDP doubts may hold up W German anti-terror law

BY PETER BRUCE IN BONN

AN EFFORT by the West German Government to rush through a package of new laws to fight terrorism before Christmas is rapidly coming apart, and has set off serious political fighting among the parties in Chancellor Helmut Kohl's coalition.

The row is likely to reach a peak today in Mainz where the Liberal Free Democrats (FDP) junior partners in the coalition, seem poised to renege on their earlier support of a bill which would offer terrorists their freedom if they give evidence against their accomplices.

Mr Franz Josef Strauss, the leader of the Christian Social Union (CSU), the Bavarian sister party to Mr Kohl's Christian Democrats, has warned that any watering down of the measure would mean abandoning the entire six point package and he claims this is Mr Kohl's view as well. He attacked the FDP for "constantly introducing unrest and insecurity into the coalition".

The Cabinet agreed on the measures at the end of last month after terrorists had gunned down a senior Foreign Ministry official near his home in Bonn. But the prospect of murderers being left unpunished has since then generated a revolt in the FDP parliamentary party and in the regions and has forced the



Bangemann: grim prospects

party leader, Mr Martin Bangemann, the Economics Minister, to look for a compromise.

He was strengthened somewhat by the overwhelming hostility to the measure by experts called to appraise it before a parliamentary committee last Friday, but the CDU and CSU have set their minds on the law and have refused to be turned from it.

The FDP executive plans, nevertheless, to put proposals today to the party — at its last conference before the general election on January 25 — which

would involve offering terrorists, wanting to give themselves up and testify—lighter punishments. But with both Mr Strauss and leading CDU officials insisting that anything less than a promise of total freedom is useless, the legislation would seem to have little chance of surviving.

Mr Bangemann will be fortunate, in fact, if the conference does not find his compromise too soft. Whatever the case, he faces—very close to an election—the grim prospect of coming under attack from the leadership of the bigger parties he is in coalition with. Mr Strauss never passes an opportunity anyway to rubbish the FDP, which teeters constantly very close to the 5 per cent vote share needed to get into the Bundestag.

It was because of its poor showing in the Bavarian state election in mid-October, in fact, that the FDP leadership agreed to support the anti-terror package in the first place. The belief then was that blocking anti-terror laws was not a vote winner and this same vision will be on the FDP leadership's collective mind as it is forced by the party to continue doing so.

This is quite clearly part of Mr Strauss's thinking when he says the FDP compromise would wreck the entire package.

# Basle hit by further chemical pollution

By John Wicks in Zurich

THE BASLE chemical industry caused more pollution yesterday, when a cloud of smoke escaped from a Ciba-Geigy resin plant at Schweizerhalle.

This follows the disastrous Sandoz fire of November 1, also in Schweizerhalle, and that only a few hours after an accident at Ciba-Geigy's Basle plant which released quantities of the pesticide Atrazine into the Rhine.

The latest incident took place in the early hours of yesterday morning, when a reaction got out of hand at a pilot plant of Ciba-Geigy's plastics and additives division.

A 500-kilo batch of Araldit resin heated up to such an extent that fumes containing phenol and small amounts of organic bromine escaped from the reactor and the building.

The smoke emission was brought under control within about 40 minutes but led to a penetrating smell and individual cases of eye irritation in parts of the greater Basle area. The authorities and the company have stressed that the emission presented no danger to public health.

# Move a blow for Moscow's foreign trade

BY PATRICK COCKBURN IN MOSCOW

THE decision by France to halt crude oil imports from the Soviet Union is serious news for Moscow at a time when its export revenues have already dropped because of the fall in the price of oil which provides 60 per cent of Soviet hard currency earnings.

In the third quarter of the year the Soviet Union appears to have cut its imports from the West by as much as one third because of its reduced exports.

The Soviet trade position is badly affected because of the terms of trade turning against it. Most of its exports are commodities such as oil, gas and gold denominated in dollars while its imports come mainly from West Germany, France and Italy whose currencies are appreciating against the dollar.

The problem for the Soviet Union is that it is impossible for it to switch its imports to other suppliers because West Germany, France and Italy are also its main customers for oil and gas.

The only good news in recent months for Soviet foreign trade is that a good harvest means that Soviet food imports should be much smaller than usual this year. Moscow has also taken advantage of the price of gold by increasing its gold exports.

Bankers say that there has been an increase in short term borrowing to finance trade by Moscow but diplomats believe that it will not want, for political reasons, to make up for its lost oil revenues by increased bank borrowing. They say that Soviet reaction is more likely to be simply to cut imports and rely more on Eastern Europe.

# Italy and Libya meet to restore relations

BY GODFREY GRIMA IN VALETTA

ITALIAN Foreign Minister Giulio Andreotti last night began talks with his Libyan counterpart, Mr Kemal Mansour, in Valetta in an attempt to restore relations between the two countries strained in the wake of the US bombings of Tripoli and Benghazi in April.

The meeting was promoted by Maltese Prime Minister Dr Carmelo Mizusid Bunnicci who yesterday paid a whirlwind visit to the Libyan Leader Colonel Muammar Gaddafi in Tripoli. Col Gaddafi apparently turned down suggestions of a meeting with the Italian Prime Minister, Mr Bettino Craxi, who arrived in Malta today to sign a five-year economic co-operation accord with Mr Bunnicci reported to be worth \$130m to Malta.

Libyan diplomatic sources in Valetta emphasised that Mr Mansour's meeting with Mr Andreotti would deal predominantly with bilateral issues. It was being suggested, however, that Libya was also seeking Italy's aid in trying to end its standoff with the US. The departure of American oil companies from Libya earlier this year, an element of the dispute with the Reagan Administration, daily threatens seriously to disrupt the Libyan economy.

Prospects of Italy intervening on Libya's behalf with Washington were described as minimal by diplomatic sources. Italy, which has trimmed the corps of Libyan diplomats in Rome and issued marching orders to a number of state-backed Libyan companies in Italy, is still seeking guarantees that Gaddafi will not back international terrorism in future.

# Computer companies to launch X/Open drive

BY LAURA RAUN IN AMSTERDAM

X/OPEN, the group of 10 leading computer and communications companies promoting Unix-based computer standards, is launching an ambitious campaign to gain wider acceptance of its specifications in a market still dominated by International Business Machines (IBM).

The first of a series of "portability centres" will be opened near London early in 1987 to promote X/Open standards among software companies by offering them a facility where compatibility with various computer brands can be developed and tested.

Portability centres are also planned for the US, where a promotional campaign will be launched in January with the aim of encouraging users such as the US Government and corporate giants such as Boeing and General Motors to use X/Open standards.

The new initiatives were announced yesterday at a press conference in Amsterdam.

X/Open was established in 1984 by five of Europe's major information technology companies—ICI, Nixdorf, Siemens, Pll and Olivetti—to agree on standards for computer operating systems and software.

Unix, which is a set of standards developed by American Telephone & Telegraph (AT&T), was adopted as a starting point for X/Open's specifications and complemented with new standards as they have emerged.

Last year, Philips and Ericsson joined X/Open, followed by DEC, Hewlett-Packard and Unisys this year. The members have a combined annual turnover of more than \$30bn.

# French likely to ratify Single European Act

BY PAUL BETTS IN PARIS

THE French National Assembly was last night expected to ratify the Single European Act despite opposition from some hardline Gaullist figures including Mr Michel Debre, a former prime minister under Gen de Gaulle.

Mr Jacques Chirac, the conservative Prime Minister, appears to have managed to appease opponents of the ratification of the text in his own neo-Gaullist RPR party.

The Government was expected to count on the support of the votes of the right as well as the votes of the Socialist Party, most of whose members are strong supporters of the text.

The Communists were expected to fall in their efforts to try to block the debate.

Mr Denis Baudouin, the Prime Minister's official spokesman, said yesterday that Mr Chirac attached "great importance" to the text.

The Prime Minister was due to address the National Assembly yesterday during the debate in which former President Valéry Giscard d'Estaing was expected to make a strong call for the strengthening of European unity.

However, the reaction of Mr Michel Debre and other hardline Gaullists, who claim that the Act puts at risk French

national sovereignty, were awaited with interest.

But Mr Baudouin indicated yesterday before the debate in the National Assembly that Mr Chirac had discussed the matter with a large number of deputies.

"We understand that certain personalities may feel reticent but it should not go beyond that," added the Prime Minister's spokesman.

The divisions inside the RPR over the Act have proved embarrassing for Mr Chirac. The text was originally due to be put before parliament last month but had to be delayed because of the opposition to its ratification in the RPR.

The Act is designed essentially to set up a more unified internal market in the European Community between now and 1992.

Mr Chirac has managed to overcome the internal RPR hurdle on the Act, but is now facing some divisions in his right-wing majority over the Government's decision to launch a programme to build private prisons to ease chronic overcrowding in the French prison system.

Several right-wing deputies have expressed concern over the prison scheme which has been opposed by President Francois Mitterrand and the Socialists.

# Italy to implement capital market directive in full

BY JOHN WYLES IN ROME

THE Italian Government intends to implement fully the important EEC directive liberalising capital movements adopted in Brussels this week.

Italy regards itself as only half a step behind the other leading Community economies on the exchange control front and a Treasury spokesman sought yesterday to remove any doubts that Rome would come into line on the new measures.

EEC Finance Ministers agreed on Monday a directive which comes into force next February obliging member-

states to lift exchange controls on long-term trade credits, on the buying and selling of unlisted securities, and on unit trusts and other mutual funds.

Italy's most important outstanding exchange control is the requirement on purchasers of foreign securities to deposit 15 per cent of their value in a non-interest bearing account with the Bank of Italy.

This is to be lifted at the end of next year under an agreement with Brussels, although Mr Giovanni Goria, the Treasury Minister, has been hinting that it may be scrapped earlier.

# Port of Genoa looks set to end years of losses

BY ALAN FRIEDMAN IN GENOA

THE Genoa Port Authority, the state body which manages the port which was once the pride of Italy, looks set to emerge from years of crisis with a return to profit forecast for 1987 and an increase in both traditional and container traffic.

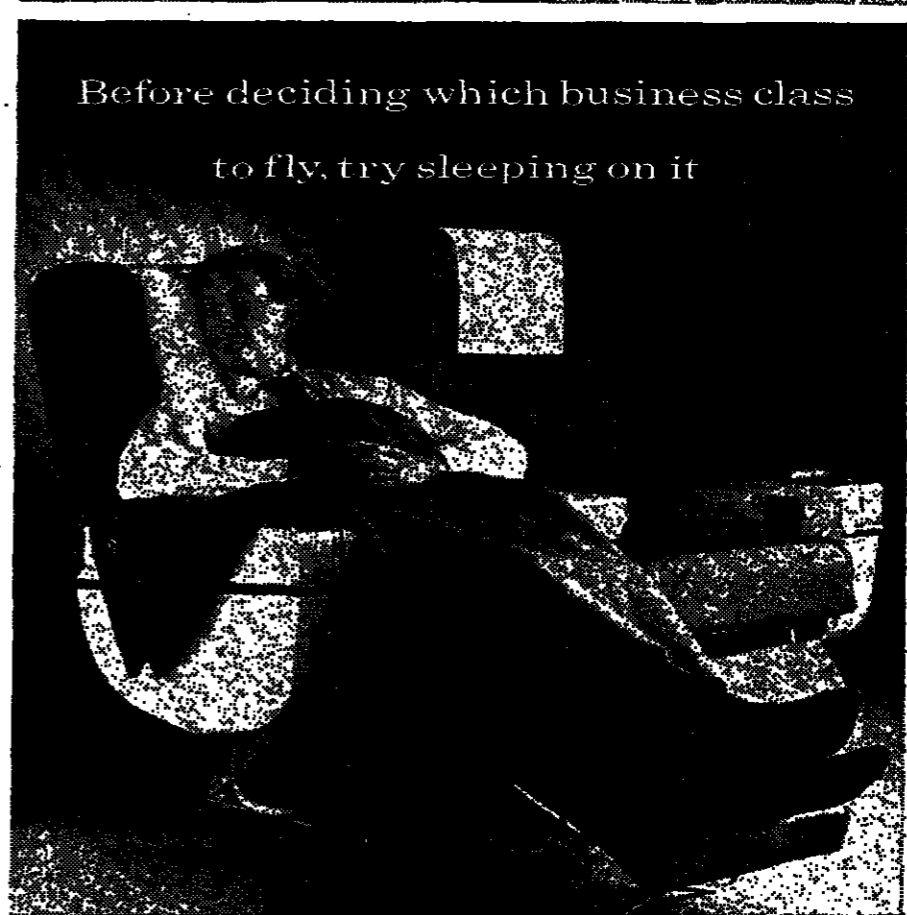
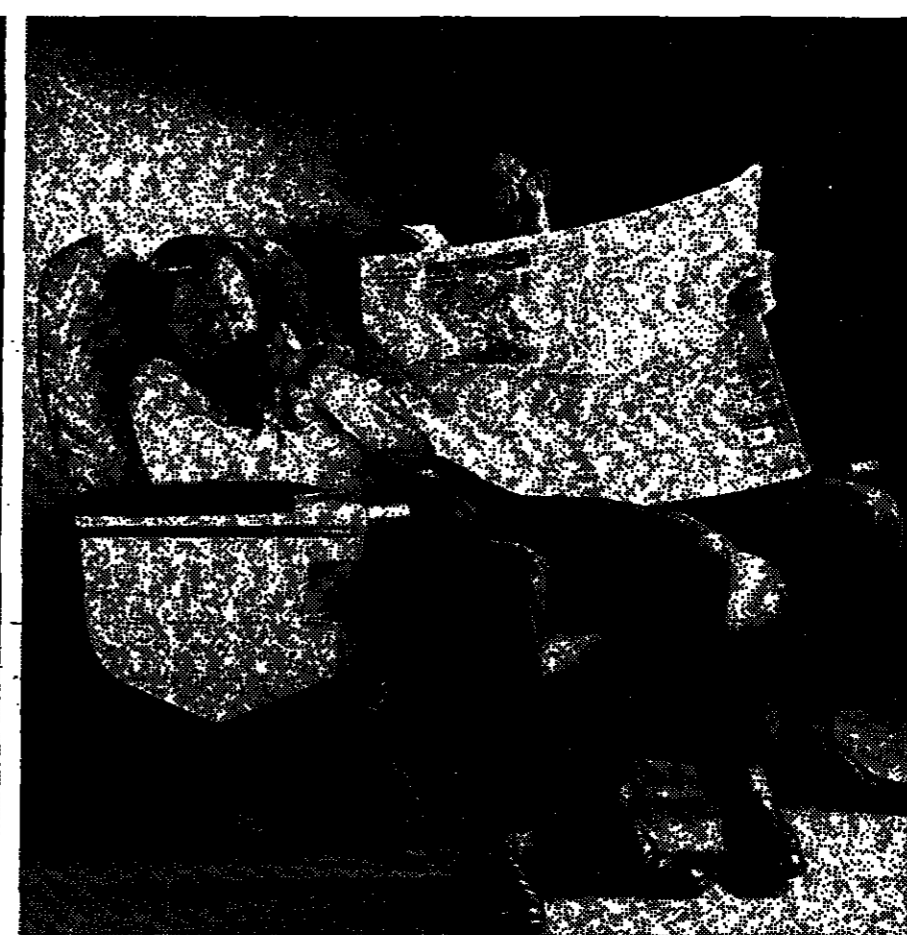
Mr Roberto d'Alessandro, the port authority's chairman who was hand-picked by Prime Min-

ister Bettino Craxi to save the troubled enterprise, announced yesterday in Genoa that next year would see a tiny L645m (£324,000) net profit, which follows losses which between 1983 and 1985 totalled L153.9bn. Losses for this year have been reduced by 51 per cent to L29.3bn.

Mr d'Alessandro, a former marketing manager at Zanussi, Pirelli and Fiat, has embarked upon an ambitious reorganisation of the Genoa port since he was appointed chairman in February of 1984.

The reorganisation has included creating 11 new operating companies which have partly privatised the troubled port, reducing the workforce from 3,247 in 1982 to around 1,000 at the start of next year and investing L577bn in new container terminals, road and railway links, modernisation of general cargo and ferry facilities, a computerised information system and a new airport terminal at Genoa.

Mr d'Alessandro said traffic at the Genoa port had increased by 36 per cent since he took over 30 months ago as chairman.



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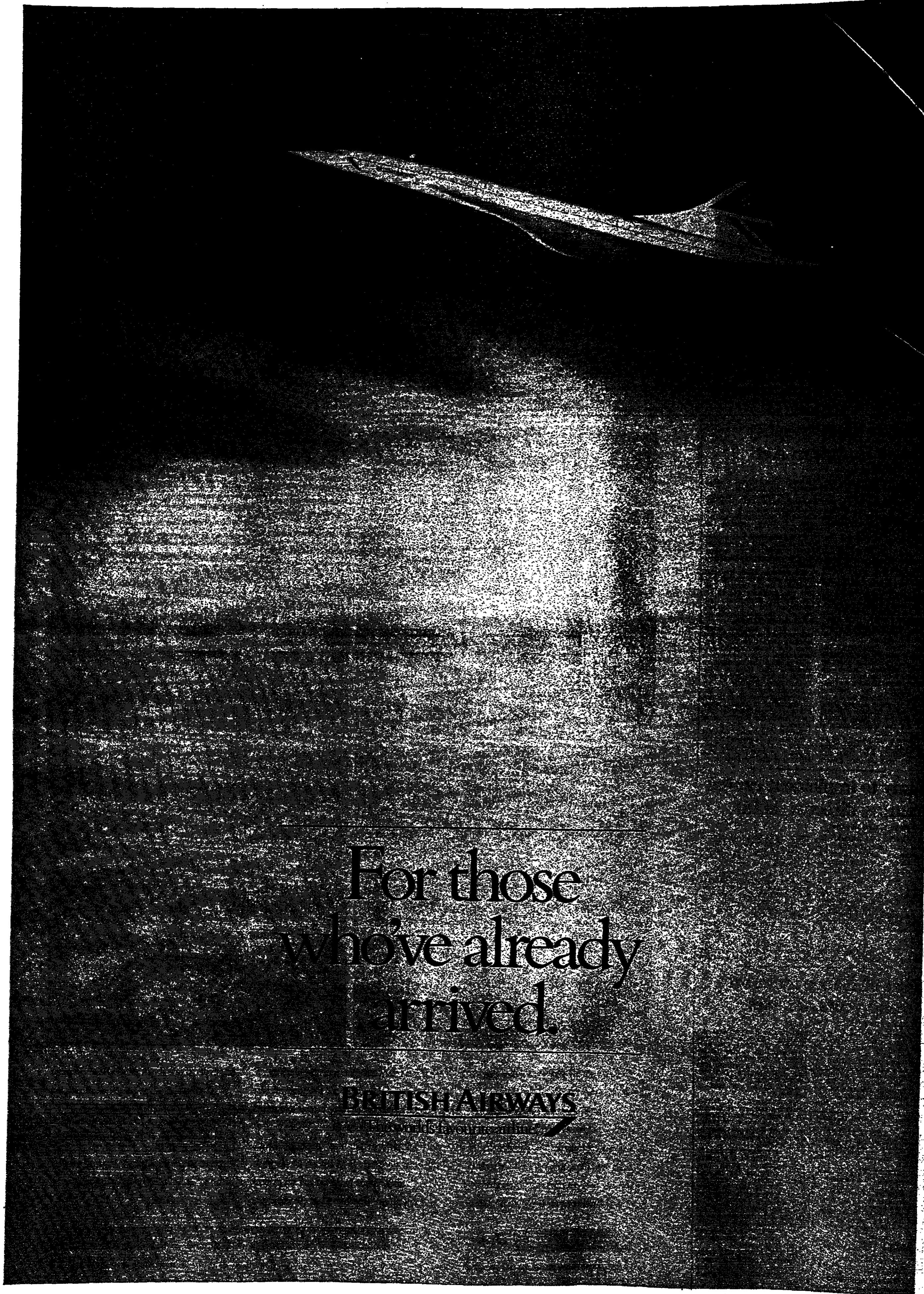
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# Andrew Whitley looks at the reasons behind Israel's involvement with Tehran

## Worry over Iran Jews inspires arms link

"If a very friendly nation turns to us with certain requests in order to help it free hostages, we will help it, one way or another," Mr. Yitzhak Rabin, Israel's Defence Minister, commented last week.



Mr. Moshe Arens, a Minister without Portfolio and close aide to Prime Minister Yitzhak Shamir, without confirming the degree of Israeli involvement in the secret shipments of US arms to Iran, has asserted to general surprise that it was important to establish links.

Official denials over arms sales notwithstanding, a picture is emerging of Israel, one of Iran's closest allies during the Shah's long reign, ending in January 1979, maintaining one of the subsequent eight years highly discreet, indirect links with its now sworn enemy.

These making the ties appear to have included a handful of Iranian exiles on good working terms with the Khomeini regime, together with some of the former occupants of the autonomous, closely guarded building in downtown Tehran which used to go under the misleading title of the Israeli Trade Mission.

analysts have always said, the two countries continue to inflict damage on each other in the six-year old Gulf war, all well and good. And if Ayatollah Khomeini were to be succeeded soon by a more pragmatic leadership, Israel would probably be one of the main regional beneficiaries.

The other constant in Israeli policy towards Iran has been that country's relatively large, and once prosperous Jewish community. More than 60,000 strong at the time of the revolution, the number of Jews remaining in Iran is put today at between 25,000 and 30,000.

Israeli Prime Minister Yitzhak Shamir (left) yesterday refused to comment on a White House statement on Wednesday that a third country had been involved in the shipment of US-made weapons to Iran. It was not Israeli policy to divulge details of arms sales, he said, but that he would be "glad" if US-Iranian relations were improved. Stating flatly that Israeli policy was not to sell arms to Iran, he nevertheless left open the possibilities that Israel may have turned a blind eye to on-going transactions.

Like that of other Iranian minorities, is "very delicate." But while individuals may have suffered, recent Western Press reports alleging wholesale persecution of the community are believed to be considerably exaggerated.

Israelis of Iranian origin who keep in close touch with their former homeland say that over the past six to 12 months conditions have worsened, though not dramatically. New travel restrictions, for example, have been introduced for Jews who come directly under the control of the Ministry of Security.

get out are required to leave substantial financial guarantees of their return behind, often in the form of property. A red seal on the passport of Iranian Jews specifically forbids them to travel to "occupied Palestine."

A new secret exodus may, however, now be starting, and it is in this context that the renewed supply of arms and munitions from Israel to Iran could be seen.

It is reasonably well established that between 1980 and earlier this month, when a Danish freighter carried 460 tons of munitions from Ellat to the Iranian port of Bandar Abbas, an intermittent stream of war materials has, directly or indirectly, moved between the two countries.

weaponry — never in very substantial quantities — seems to have been moved by much the same route that was used in the other direction during the Shah's time. Despite frequent denials, Iran had always been Israel's major supplier of crude oil.

Disowned by the Israeli Government, following President Ronald Reagan's dramatic television admission of last week about his secret dealings with the Islamic republic, the jailed men are now beginning to shout.

Mr Gurial Eisenberg, an Israeli businessman, who says he believed the deal he and 16 others were involved in had been approved at the highest level of the Reagan Administration, has called Vice President George Bush and other top White House officials to testify in his defence.

## Armstrong refuses to admit MI6 exists

SIR ROBERT ARMSTRONG, the Cabinet Secretary, refused yesterday to admit the existence of the British espionage service MI6. Reuter reports from Sydney.

The court went into secret session after Sir Robert refused to answer other questions. Mr Wright, 71, who now lives in Tasmania, was on the personal staff of Sir Michael Hanley, MI6 director from 1973-75.

Mr Wright's counsel, Mr Malcolm Turnbull, asked Sir Robert if Sir Arthur Franks had been a confidant of Mr Pincher and if Sir Arthur had headed MI6 from 1978 to 1982.

## Karmal relieved of all remaining posts

AFGHAN President Babrak Karmal was yesterday relieved of all government and ruling party offices, according to an Afghan Radio report monitored by agencies in Islamabad last night.

His resignation appeared to complete the process of removing him from power that began earlier this year when he was removed as secretary-general of the Communist Party. No successor was named.

The political demise of Mr Karmal, who came to power in December 1979 after Soviet troops intervened in the country, follows signs that the Soviet Union was unhappy at his government's failure to defeat the Moslem guerrillas.

Council in Kabul, the Afghan capital. He was replaced as secretary-general — and ruler in effect of the country — last May by former secret police chief Najibullah, head of the pro-Moscow faction of the Afghan party.

At that time, diplomats said Karmal may have retained some support in the party since he was not stripped of all his offices and retained the office of President, the nominal head of state.

Mr Karmal has for some time been reported by diplomats to be in poor health. The wording of the broadcast, which said that an application had been submitted, seemed to suggest that Mr Karmal was not present at the meeting. The Politburo, consisting of about a dozen members, is the highest body of the ruling party.

## Filipinos mourn unionist

MORE THAN 100,000 mourners joined the funeral march of a murdered trade union chief yesterday, Reuter reports from Manila.

Communist leaders threatened to halt ceasefire talks unless President Corason Aquino proved she controlled the military.

## Management blames arsonists for blaze at S African gold mine

Firemen yesterday fought all day to put out a deep underground fire at Kloof, South Africa's richest gold mine, where managers blamed arsonists for the blaze. Kloof is owned by Gold Fields of South Africa.

Relations between black miners and the company, which is controlled by London-based Consolidated Gold Fields, have been tense since Gold Fields refused to raise pay increases ranging from 15 per cent to 20 per cent offered in this year's wage contract.

Last month 40,000 miners at the Doornfontein, Deelkraal and Kloof Mines of the Gold Fields group went on strike and the union inter-accused the company of using rubber bullets and tear gas against strikers.

Kloof, 50 miles west of Johannesburg, was one of several Gold Fields mines affected by wildcat strikes last month in support of a union wage claim. Since then the National Union of Mine-workers has declared a formal dispute. Yesterday it appealed to the industrial court for a ruling on the company's refusal to allow facilities for a strike ballot at one of the company's seven gold mines, including Kloof.

The company said the fire, which started on Wednesday night, was the second this week. The first was detected by a fire patrol on Monday night 1.7 miles below ground. After the fire had been put out clear evidence of arson

was found. Igniter cord had been inserted into two timber packs and ignited. Senior mine officials worked special shifts to prevent further arson attempts but smoke was again detected on Wednesday night. The fire was estimated to be four times stronger than the first. The area was sealed off and the exact cause and location is still not known.

## Anthony Robinson on a radical idea from BP Cape Town bitterness prompts non-racial development plan

BETWEEN the BP tower block close to Cape Town Harbour and the spectacular bulk of Table Mountain is a large weed-covered space dotted with church spires and the minarets of mosques. This is District Six, an area which has become a symbol of apartheid's social engineering at its worst.

AUSTRALIA would step in as a visitor and temporary entry visas within South Africa from today, Immigration Minister, Mr Chris Hurford said. Intending visitors would have to apply for visas outside South Africa.

Writing in the company's biennial social report released at the weekend, Mr Simms also proposed that BP, again in co-operation with other private companies, should foster multi-racial education providing financial assistance so that state schools, currently radically segregated by law, could become private, mixed race schools.

In the early 1960s, bulldozers broke down the homes and destroyed what was once a vibrant, albeit run-down, community of over 60,000 mainly Coloured (mixed race) people. The man whose name is most closely linked to that decision is President P. W. Botha, then the minister in charge of Coloured affairs.

chairman of BP South Africa, one of the most important British companies in the country, offered to take the lead in organising and contributing to a private sector, non-profit making corporation to re-build District Six as South Africa's first non-racial residential and business area.

Writing in the ring over District Six is to highlight the need for an internationally recognised new approach to the question of future urban development.

To this day Mr Botha defends the destruction of District Six as a humanitarian act of slum clearance which freed tenants from exploitation by landlords and gave them the chance of a healthier life in the new, but distant suburbs. Similar high sounding explanations were given by the Government nearly 20 years later when half the Crossroads squatter camp 25 km from Cape Town was torn down last May.

At a time when the exodus of US companies like GM, IBM and Coca Cola from South Africa is increasing the vulnerability of other foreign-owned companies to anti-apartheid lobbies, BP's proposal stresses the virtues of positive engagement rather than disinvestment.

BP has joined its voice to those who argue that the re-development of District Six as an open, non-racial development would signify the acceptance of free choice without disturbing those for whom segregation is deeply linked to their personal, political and cultural survival.

So deep are the scars that all attempts to re-build District Six as an unmarked white housing area with a smaller new Coloured estate have been frustrated. All that has been built on this prime site is a motorway and a new technical high school on the fringes of the weedstrewn wasteland.

The Government's initial response to BP's proposals was a curt reminder from Mr Chris Hurume, the Minister for Constitutional Development, that mixed living areas were not Government policy. BP found the low key reaction encouraging.

With elections in the omg, the odds are still on the latter, in the short run at least.

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A feeling of unsurpassed excellence has surrounded our name since we started making aero-engines for the Bristol Fighter in 1916.

The Rolls-Royce Merlin engine made the Spitfire an outstanding fighter in the Second World War.

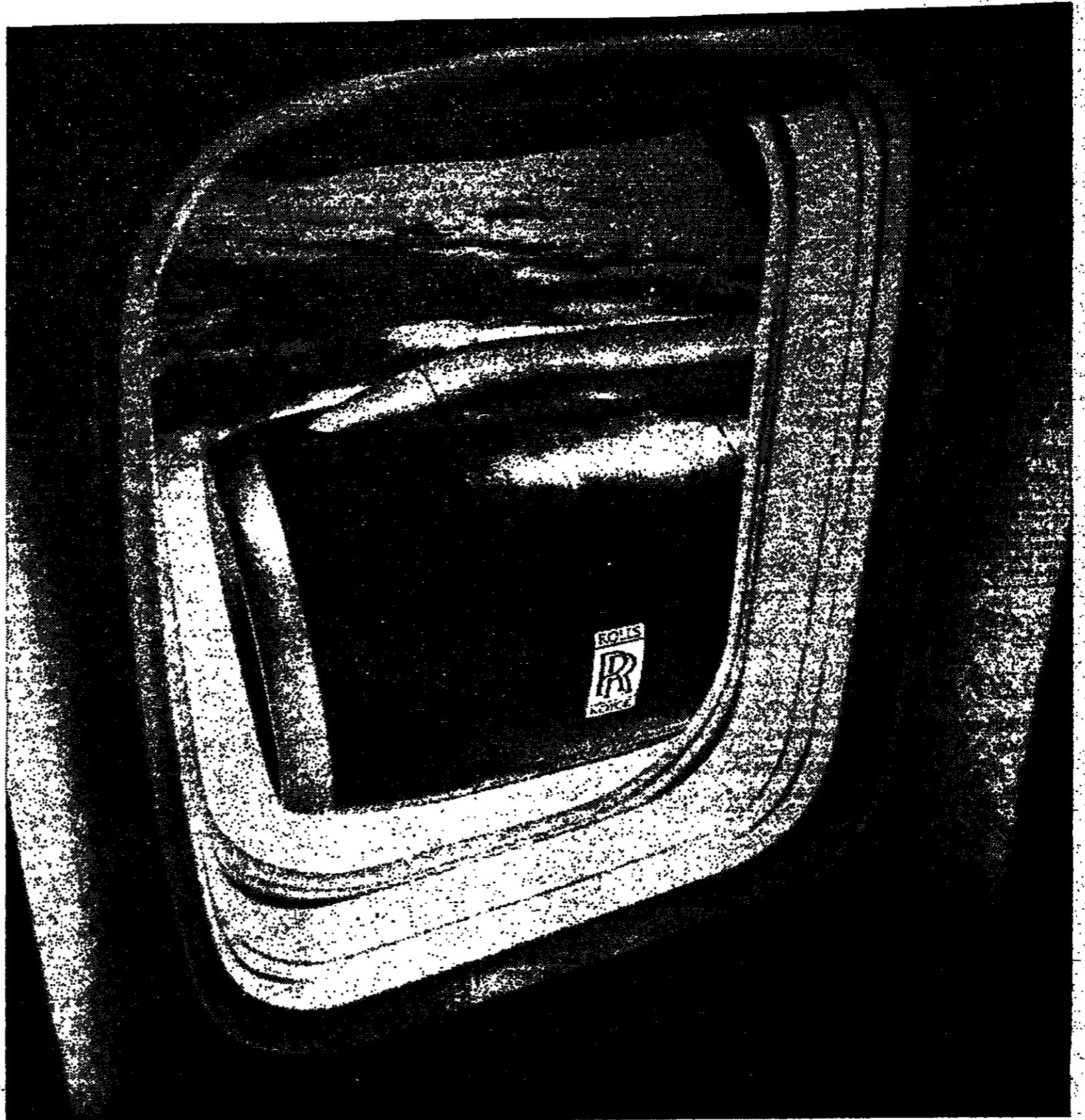
And today over half of the aero-engines we make are for military aircraft.

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The vertical take-off Harrier uses the Pegasus, the only engine of its type in service.

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These include Concorde, with its Anglo-French Olympus engines, and Boeing's 747 Jumbo Jet and the new 757 which shuttles back and forth day in day out between London and Edinburgh and Glasgow.



We also make a fair number of engines that never get airborne.

Nearly a tenth of our sales consist of gas turbine products for electricity generating stations, ships and pumping stations such as those on Siberian and trans-Alaskan pipelines.

Last year our products generated record total sales of £1.6 billion which yielded pre-tax profits of £81 million.

So next time you fasten your seat belt and glance out of the window and see our name you'll know why you feel so reassured.

In the meantime, here's a reminder of what to look for.



JP 11/21/86

## Brussels seeks to boost Latin American trade

BY QUENTIN PEEL IN BRUSSELS

A PLAN to revive and extend the links between the EEC and Latin America, boosting trade, investment, aid, economic co-operation and even political ties, has been presented by the European Commission to the 12 Community member-states.

The aim would be to boost trade relations after a dramatic slump in EEC exports to almost 40 per cent between 1980 and 1985, and try to promote greater European investment and lending to help Latin American nations overcome their debt crisis.

Mr Claude Cheysson, the European Commissioner responsible, unveiled the plan yesterday with a plea for the member-states to re-establish lines of export credit to countries in the region, in spite of their indebtedness, and to encourage more direct investment.

He insisted that it was not a European initiative to counter-balance US influence in Latin America—although he admitted that many Latin American countries wanted closer ties with the Community for that reason. The plan approved by the 17-member Commission this week does not contain any specific budget for promoting closer ties, but simply a range of "realistic measures" for the member-states to take.

- Trade promotion to diversify the range of goods and services involved;
- Support for joint investment committees, the creation of data banks, and co-operation between chambers of commerce;
- Closer co-ordination of aid programmes with other sources of finance, concentrated on the poorest nations;
- Support for regional integration, particularly harmonising industrial standards and help in telecommunications links;
- Extending rules of origin requirements to regional groupings rather than individual countries;
- Re-establishing export credit



Mr Claude Cheysson

to countries "which have adopted satisfactory (economic) adjustment programmes."

Mr Cheysson described it as "an intolerable contradiction" that some European countries paid lip-service to promoting trade relations, but refused to give Latin American countries export credit cover because of their indebtedness.

EEC exports to the region have fallen faster in recent years than those from either the US or Japan, which were down 25 per cent and 11 per cent respectively.

Mr Cheysson pointed out that European direct investment in the region was actually higher than that of the US in recent years, totalling \$1.2bn (£833m) in South America in 1984 and Central America in 1984 and 1985, against actual US disinvestment from South America and investment of only \$1.2bn in Central America.

However, he rejected the approach of the European Parliament, which has sought to insist that EEC aid outside Africa, the Caribbean and Pacific, should in future be directed equally between Latin America and Asia, in spite of the vastly differing populations.

## Miti finds chip prices lower outside US

By Ian Rodger in Tokyo

JAPAN'S Ministry of Trade and Industry (MITI) confirmed yesterday that prices of Japanese semiconductor products were lower in third country markets than in the US.

US semiconductor producers claim that Japanese producers have been undermining last July's semiconductor agreement between Japan and the US by dumping chips in third country markets.

The US producers want MITI to identify and punish companies said to be involved. A MITI official said that while the ministry has learned of a few cases of "very low" chip prices in third markets, this did not necessarily mean that the agreement was being broken.

The agreement did not say anything about third markets, but MITI has been asked to monitor the activity of Japanese companies in them, he added. That monitoring process was being carried out on a quarterly basis, so the first results would only be available at the end of this month.

MITI recognised, however, that it was important to keep to the spirit, and not just the letter, of the agreement so it had been investigating sales data, and had found some examples of low prices being offered by Japanese producers in third markets.

It had heard that US producers were also selling in these markets at very low prices "so it is very difficult to establish who started the process."

In a clear case of a Japanese company acting contrary to the spirit of the agreement was uncovered, MITI would ask it to desist.

As for sanctions, the official said there were not many kinds available, short of the removal of the export licence, which would be "too drastic."

## Duke calls for more attention to Indian trade

By John Elliott in New Delhi

BRITISH BUSINESSMEN were urged yesterday by the Duke of Kent, vice-chairman of the British Overseas Trade Board, to "pay more attention" to trade and investment prospects in India. The Duke indicated that the British industry was slipping behind foreign competitors on trade and collaborations.

He was speaking before a private lunch with Mr Rajiv Gandhi, the Indian Prime Minister. The UK has been replaced as India's largest trading and new industrial collaborations partner by countries such as the US and Japan.

The Duke said: "Businessmen should pay more attention to the prospects. There is a feeling that India is a difficult market and the message of the liberalisation of policies here has not yet got fully across abroad."

The Duke's visit and the invitation to lunch with Mr Gandhi are especially significant when Indo-British relations are at their lowest point for many years.

The UK's exports to India totalled \$995m last year, and the Duke said that firm were expected this year. India's exports to the UK were only \$422m last year.

## Battle builds up for aero-engine markets

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE DECISION by Rolls-Royce and General Electric of the US to end their revenue-sharing agreement on jet engine development represents a bid to resolve what had become an untenable situation.

For competition between them on one type of engine had begun to jeopardise collaboration on another, a classic situation in which the competitive requirements of marketing clashed with an excellent technical and production position.

That the competitive marketing requirements won the day highlights the fact that the battle for world markets in the civil aero-engine industry, even among collaborators, is intensifying.

The overall world market for civil aero-engines up to the end of this century is estimated to be worth about \$70bn. It is estimated by Rolls-Royce that one-third of this will be spent on "big thrust" turbo-fan jet engines for wide-bodied jets such as Boeing 747 Jumbo jets, and large tri-jets of the projected McDonnell Douglas MD-11 type.

The larger types of two-engine jets, such as Airbus A-310 and the prospective Airbus A-350, would also use such engines. It has become common in the

aero-engine industry for major companies to collaborate on some types of engine, while competing on others. Examples include the partnership between

Boeing 747s and Airbus A-310s. Rolls-Royce had a rival engine, the RB-311-524, which at that time did not match the thrust output of the 802. It

per cent of the development and production of the other's engine, rising eventually, if business looked good, to 25 per cent or even more. But one event this past summer highlighted a flaw in the agreement.

Rolls-Royce had gone ahead with development of its own "big thrust" version of the RB-311, the 524, at first with what it called the 545D "upgrade" engine, which won considerable success in world markets against the GE 802, and then with a further development, the 524D4D of about 58,000 lb thrust but with better fuel consumption.

As a result, Rolls-Royce won the big order from British Airways in August to fit the 524D4D engine on 16 Boeing 747-400 Jumbo jets that airline is buying with an option on another 12 aircraft.

GE had been fighting for the same contract. Its anger at losing it stemmed from its belief that, although the 524D4D was not specifically included in the pact with Rolls-Royce, the latter had a moral, if not a legal, obligation to stand aside and let the 802 win.

GE is reported to have offered Rolls-Royce up to 30 per cent of the work on the

802 if that engine had been chosen by BA for its Jumbos. Rolls-Royce disputed that interpretation of the agreement. It claimed that it had the right to continue developing the 524D4D as it chose, and to fight for orders world-wide in competition with the 802.

Despite the excellent technical relationships between the two companies, managerial relations became strained.

Both companies have not recognised that the "increasing overlap and competition" between the 524D4D and the 802 have reached a point where the pact on the 802 and 524E4 is no longer workable. GE believes that Rolls-Royce, under the pact, is not only getting a share of the 802, but also another share of the same market with its competitive 524D4D.

Neither Rolls-Royce nor GE will say who initiated the break, but it was clear as recently as the Farmborough show that, despite efforts to paper over the cracks, the pact was in jeopardy, and that it was probably only a matter of time before it was terminated.

Nevertheless, the possibility of some continuing partnership between the two companies is not ruled out.

### Competition between Rolls-Royce and General Electric on one type of engine had begun to jeopardise collaboration on another — a classic situation in which competitive requirements of marketing clashed with an excellent technical and production position

GE and Snecma of France to build the CFM-56 series of engines for such airlines as the Boeing 737-300 and Airbus A-320.

Competing with that engine is the International Aero-Engines V-2500, a group comprising Rolls-Royce, Pratt & Whitney and West German, Italian and Japanese engine companies.

The Rolls-Royce/GE pact now terminated was first set up in 1984, to enable each company to get a share in the expanding markets for two specific types of engines. GE was building the CF6-802, a big engine capable of about 60,000 lb thrust for

seemed sensible for Rolls-Royce to link with GE on the 802.

At the same time, Rolls-Royce was doing well with a smaller version of the RB-211, the 535E4 of about 40,000 lb thrust in the twin-engine Boeing 757 medium-range airliner. GE had nothing to offer in that market, but it arrived, Pratt & Whitney, was offering the PW-2037.

Thus it was sensible for GE, in return for a share of the 535E4 engine, to give Rolls a share of the 802. The two engines were complementary, not competitive, aimed at different markets.

Initially, the pact allowed each company to have up to 15

## European vans set for record

BY JOHN GARFITHS

EUROPEAN production of light vans, those derived from cars, is on course to reach a record of more than 600,000 units this year, according to the Automotive Industry Data (AID) statistics group.

Its report shows that for the first time in three years the European industry appears not to be handing sales to Japanese importers by failing to increase output to match rising market demand.

In 1984, only 400,000 light vans were produced by the European industry, while the

European market stood at 590,000 units—"little wonder that the resulting vacuum was readily filled by eager exporters in far-away Japan," says AID.

The statistics show the Europeans to have been wrong-footed again last year. The market climbed sharply once more, to 660,000 units, but the European output of 530,000 units allowed Japanese imports to achieve a further 30.8 per cent sales increase.

In the first eight months of this year, however, European production has climbed a fur-

ther 16.6 per cent. The sharpest production increase has taken place in Spain, where it rose by 41.3 per cent in the first eight months compared with the 1985 period.

The levels of demand in Europe are such that General Motors is preparing to launch a van version of the Opel Corsa/Vauxhall Nova, according to AID.

AID Newsletter, Automotive Industry Data, 34 St John Street, Lichfield, Staffs, England WS13 6PB. £220 or \$375 a year.

## Japanese car exports 'to rise slightly next year'

BY ANDREW BAXTER IN TOKYO

JAPANESE car exports will rise slightly in 1987 following a projected 2 per cent decline this year, according to the Industrial Bank of Japan.

The bank expects exports to rise from 6.71m units this year to 6.77m, which would still lag behind the record 6.85m units achieved in 1985. Worldwide demand will recover next year, according to the forecast, while higher oil prices will lift exports to the Middle East.

Economic problems in China

and in the Middle East were given as the main reasons for sluggishness of Japanese exports this year, rather than the 40 per cent appreciation of the yen.

Other favourable developments for next year include cost-cutting measures by the Japanese car groups, which have been pushed through more quickly than expected, and effective sales promotion in the domestic market, particularly by Toyota.

## NTT urges tougher sales stance by Europeans

BY WILLIAM HAWKINS IN BRUSSELS

NIPPON TELEGRAPH AND TELEGRAPH (NTT), Japan's largest communication group, yesterday criticised European suppliers for not being tough enough in promoting themselves overseas.

That view came from Mr Haruo Yamaguchi, NTT's senior vice president, speaking after a seminar in Brussels for nearly 200 European companies, in which the group outlined to sceptical delegates its strategy of seeking to buy more foreign equipment.

Mr Yamaguchi, responding to allegations that NTT's overtures might not be entirely sincere, admitted: "Our figures for European purchases are not very big yet, but that is not because we are not enthusiastic."

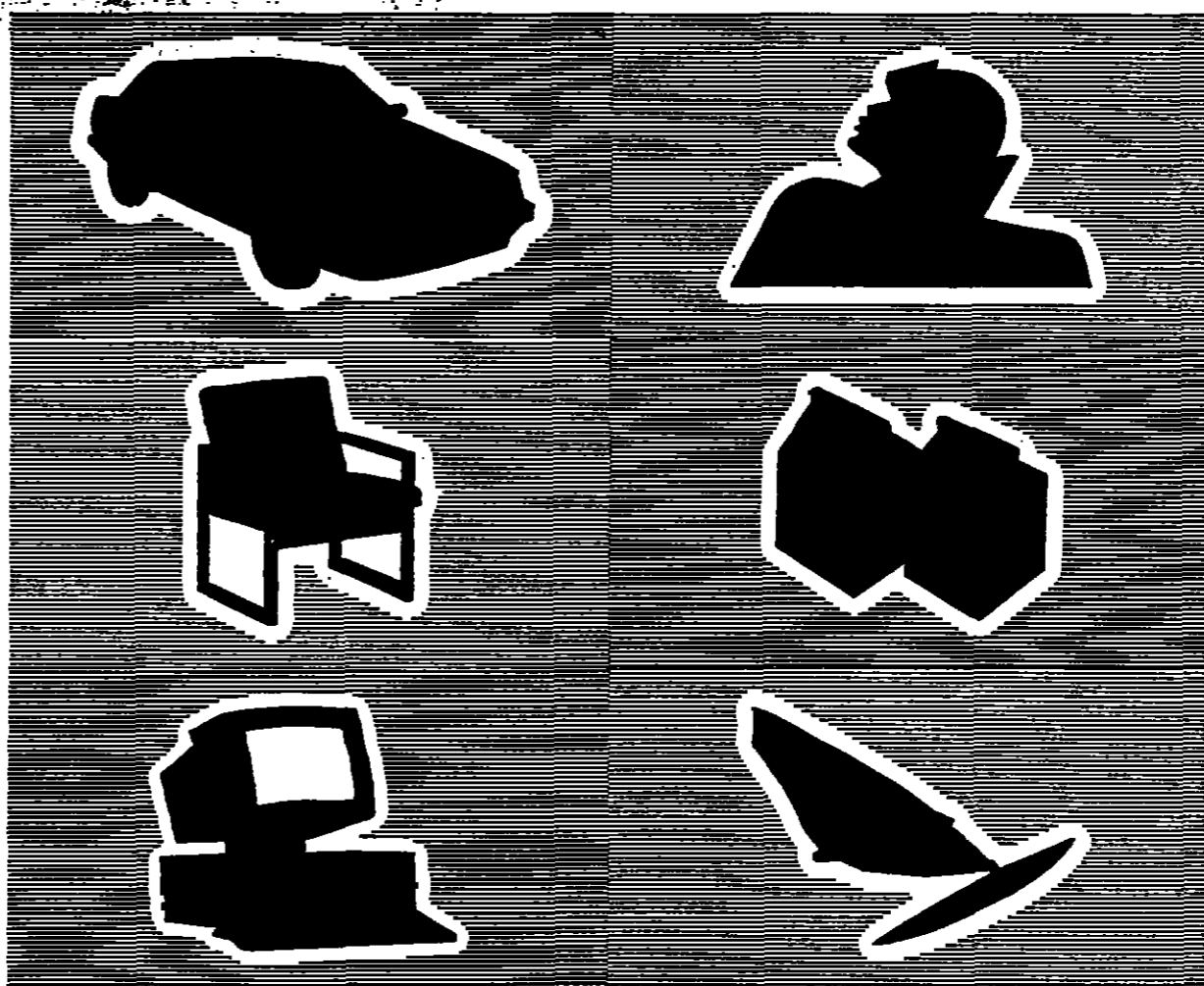
"It is because of European companies' lack of an aggressive approach to selling to NTT." NTT last year bought a mere ¥17bn (£7.3m) worth of equipment in Europe, ten times more than in 1981, but an insignificant slice of its ¥487bn world

sales. Mr Yamaguchi said that although he was keen in principle to trade more with European companies, progress would be slow. That was because NTT wanted to concentrate on forming research and development joint ventures to ensure product compatibility, rather than pushing into straight equipment purchases.

Undismayed by widespread suspicions of Japan's unwillingness to open its telecommunications market to foreign suppliers, Mr Yamaguchi emphasised: "We feel no commitment to buy from European companies. We are a private firm so we are only willing to buy on a commercial basis."

But he added that NTT was particularly interested in seeking suppliers for its planned introduction of an integrated services digital network (ISDN), which will radically upgrade existing telephone lines and in which European companies have a lead.

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### INTERIM RESULTS

Extract from the (unaudited) Interim Results for the six months ended 30th September 1986

	6 months to 30/9/86	30/9/85	
Turnover	£85.0m	£53.1m	+60%
Profit before tax	£6.4m	£3.3m	+91%
Earnings per share	3.5p	2.5p	+41%
Dividend per share	1.0p	0.7p	+50%

"The results to date provide me with confidence in the soundness of our policies and in the outcome for the full year."

John Lowe, CHAIRMAN

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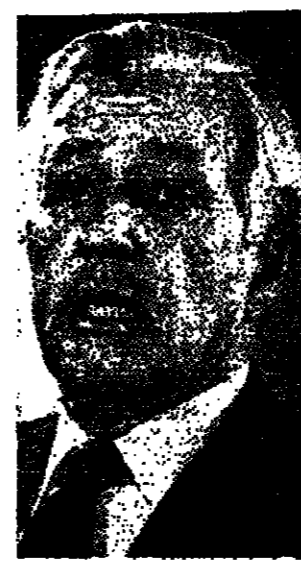
AMERICAN NEWS

Lionel Barber in Washington reports on efforts to gloss over the budget deficit. The political comeback of Rosy Scenario

ROSY SCENARIO is about to make her political comeback. The White House code-word, first used in February, 1981, when President Ronald Reagan's supply side economics were supposed to produce a balanced budget by 1984, has reappeared to gloss over the problem which will not go away: the federal budget deficit.

inadequate domestic savings to finance federal Government spending and economic growth. The forecasts come at a critical point. President Reagan is preparing a budget for fiscal year 1988, while Congress is doing its own sums. The shadow-boxing over spending priorities has begun even before Congress reconvenes in January.

problem is that neither the President nor the Democratic Party, which now has a majority in both legislative chambers, see eye to eye on cuts. Defence spending took a hit in fiscal year 1986 when the racing growth during Mr. Reagan's first term slowed at last. This fiscal year, the Pentagon received \$29.9bn, far less than it asked for.



Donald Regan: behind initiative

ing Congress's predicament, remains coy. The less than rosy scenario is that both the White House and Congress are about to dodge the deficit and violate the spirit of Gramm-Rudman. Neither party, naturally, wants to take the blame.

Contra rebels 'have begun training in US'

BY LIONEL BARBER IN WASHINGTON

A GROUP of 70 Nicaraguan rebels have started military training in the US, according to one of their leaders. The bulk of US aid to the Contras — \$70m — is in military training and weapons. A further \$27m is for food, medical supplies and other non-lethal items.

Chile and IMF reach agreement

By Mary Helen Spooner in Santiago

GENERAL Augusto Pinochet's regime has reached agreement with the International Monetary Fund (IMF) for its 1987-88 economic programme, providing for a budget deficit of less than 1.7 per cent of gross national product, and an economic growth from 3 to 5 per cent, Chilean officials announced.

Brazil set to raise prices of electricity and fuel

THE Brazilian Government is set to announce measures today making adjustments to its anti-inflation programme.

Since the Government's landslide victory in national elections last Saturday, intensive consultations have been held involving President Jose Sarney, his closest financial advisers and the leadership of the ruling Brazilian Democratic Movement Party (PMDB).

Strike at GM parts plant threatens US production

GENERAL MOTORS, indefinitely laid-off 16,700 workers in three states starting Thursday, said it might have to shut down its North American assembly operations because of a strike at a parts plant.

Delco parts are shipped to assembly plants on a "just-in-time" basis as they are ordered, there was little or no inventory when the strike began, company officials said.

Haiti's leader 'has no political ambitions'

BY CAROLINE JAMES IN MIAMI

THE LEADER of the interim government of Haiti, Lt-Gen Henri Namphy, says he has not changed his commitment to hand over power to an elected president in 18 months and that he has no political ambitions.

US personal income rises

BY STEWART FLEMING IN WASHINGTON

PERSONAL INCOME in the US rose a moderate 0.4 per cent in October, but Americans cut back sharply on car purchases and consumer spending fell a record 2 per cent, the Commerce Department reported yesterday.

COMMERZBANK OVERSEAS FINANCE N.V. U.S.\$ 100,000,000 Floating Rate Notes Due 1995

In accordance with the provisions of the Notes notes is hereby given that for the six months period from November 19, 1986 to May 19, 1987 the Notes will carry an interest rate of 10% per annum with a coupon amount of U.S.\$ 502.78 on U.S.\$ 10,000.00 and U.S.\$ 2,513.89 on U.S.\$ 50,000.00.

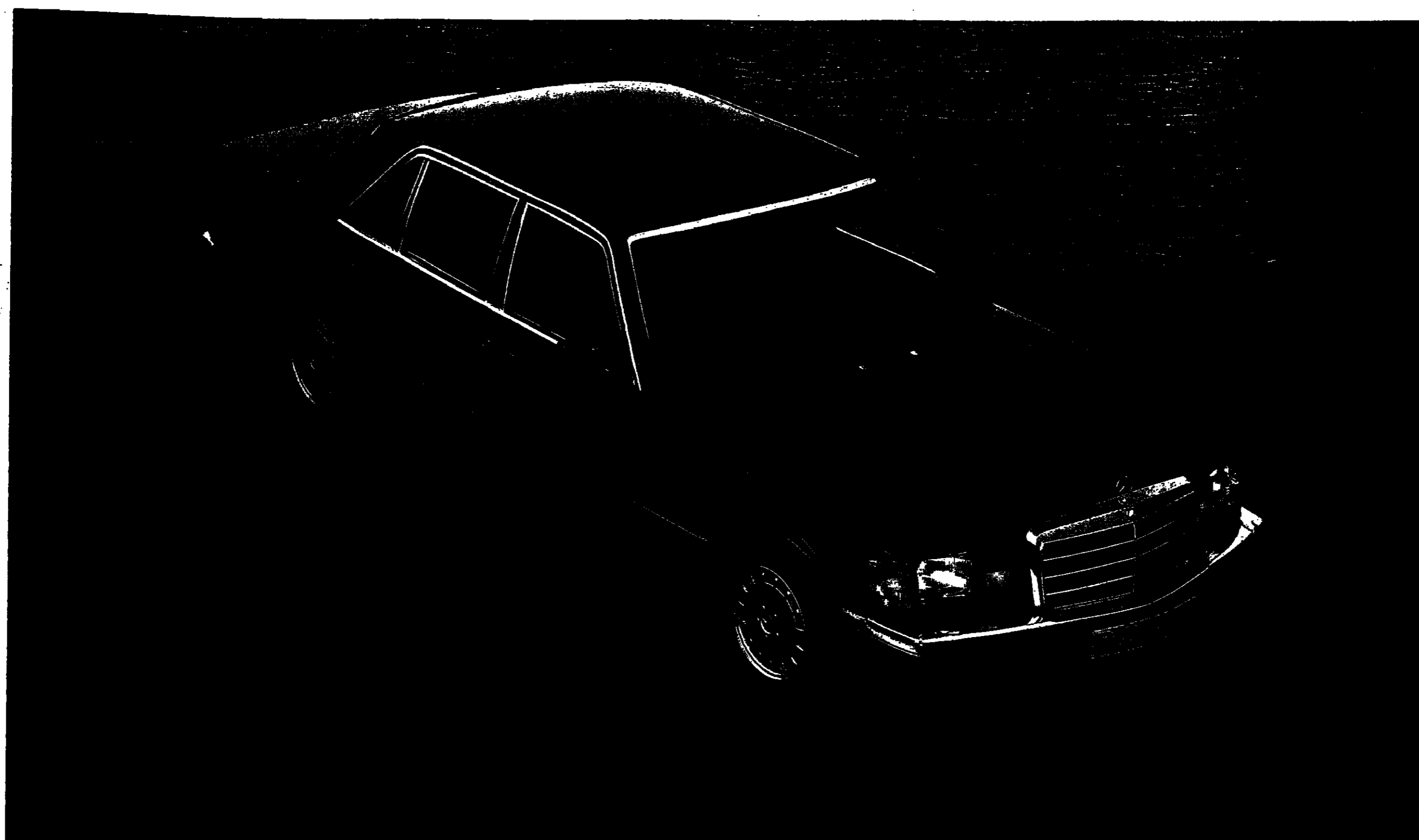
Export Development Corporation / Société pour l'expansion des exportations. NOTICE OF PARTIAL REDEMPTION. TO THE HOLDERS OF C\$100,000,000 11 1/2% NOTES DUE DECEMBER 15, 1989 SERIES RC. NOTICE IS HEREBY GIVEN pursuant to paragraph 7(B) of the Fiscal Agency Agreement dated as of December 13, 1984 between EXPORT DEVELOPMENT CORPORATION ("EDC") and ORION ROYAL BANK LIMITED (the "Fiscal Agent")...

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27/11/50

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THE MERCEDES-BENZ S-CLASS SALOONS: 300 SE, 420 SE, 420 SEL, 500 SE, 500 SEL, 560 SEL.

# The S-class: Mercedes-Benz engineering in its most classic form

Although the S-class has been described as "a moving network of high technology," Mercedes-Benz does not believe in complicated technology for its own sake. Instead they blend it ingeniously with their celebrated engineering techniques to produce S-class cars with the remarkable ability to behave like chauffeured limousines one moment and taut sports saloons the next.

An S-class Mercedes-Benz is almost two tons of educated steel and aluminium, complemented with space-age alloys and fabrics. The 300 SE comes with automatic transmission as standard equipment, plus variable-ratio power steering, multi-point central locking, electric windows, electrically-heated exterior mirrors and automatic front seat belt tensioners.

Throughout the S-class range there are nearly forty other items of optional or standard equipment. From electric front seats with individual memories to orthopaedic back rests, air bags and ABS. Importantly, all of these items are related to additional safety, comfort or convenience.

This wide range of options, plus the choice of four engine sizes means that the S-class buyer can order a car that is virtually bespoke-tailored. The choice is further widened with the availability of the longer wheelbase 420 SEL or 500 SEL.

Pinnacle of the S-class range is undoubtedly the new 560 SEL. This extraordinary 300hp saloon has twenty factory-fitted options as standard equipment and is available with an intelligent hydro-pneumatic suspension. This new system modifies its firmness and height to match the driver's style.

The conundrum confronting many an S-class buyer, however, is not which model to order or which options to specify; it is whether to drive or be driven. The Mercedes-Benz S-class permits you to sit back and indulge in an enormous range of amenities or to take the steering wheel firmly in both hands and drive for the sheer pleasure of it. Whichever seat you decide to take, the experience will be most rewarding.



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TECHNOLOGY

A GRAND IDEA

# Harmony between piano and computer keyboards

By Peter Marsh

A WORLD-CLASS concert pianist has just finished the performance of a lifetime. The music company planning to issue a recording of the performance then suddenly finds—to everyone's horror—that a bout of coughing from the audience has ruined the tape.

Such a catastrophe can now be avoided, however, using an unusual computer-based piano which engineers in Austria and the US have completed after 14 years of work. In the system, a computer records not the sound of a piano on tape but rather the movements of the individual keys as the piece of music is played.

To replay this recording, the computer instructs a series of electromechanical devices to activate the keys of the piano in exactly the way the musician struck them. External noises such as coughing or aeroplanes rumbling overhead are immaterial to the sound that is heard—a "perfect repeat performance," according to the developers of the system.

As an added bonus, a technician at the controls of the computer can "retrace" the recording of the performance, to alter notes that are misplaced, or to produce a shade more fortissimo at a set part of the proceedings. Thus even if the pianist is having an off day, the recording that results from his or her work can be technically immaculate.

The £70,000 computer-based piano (roughly twice the cost of an ordinary grand piano) has been developed by Bösendorfer, one of the world's top maker of pianos, which is based in Vienna. Bösendorfer is owned by Kimball International, of Jasper, Indiana, which is best known for making office furniture and electronic organs.

In a joint project, engineers from Vienna and Jasper worked on the new system. The original idea for the computerised piano came from Mr Wayne Stankke, a Californian musician-cum-electronics engineer who worked with both teams on the programme.

In outline, this way of obtaining a recording resembles the operation of old-style player pianos. In these mechanisms, a set of cards with holes in them activates mechanical contraptions to strike keys as though someone is sitting at the instrument.

But according to Mr Hal Vincent, musical engineering manager of Kimball, the new system resembles a player piano "only in the way that the Wright brothers' aeroplane is similar to a jumbo jet." Central to the invention is that recording is made by a series of optical devices that "memorise" the position of keys while the instrument is played.



Electronic route to perfect recordings: Bösendorfer's computer-based piano

This lack of a physical connection means that the pianist does not feel any reverberations resulting from a mechanical recording device, of the type that would be required for a player piano.

When the computer is instructed to replay a performance,

using a series of solenoid-based contraptions attached to the 87 keys in the Bösendorfer instrument, the sensation obtained is as if the real pianist is actually at the keys.

According to Mr Vincent, the overall effect is to give a "live" quality to the recording that

would be impossible with even the most sophisticated loud-speaker-based hi-fi system. Mr Vincent says that when a top-class pianist hears his or her rendition using the computerised system the initial reaction is "one of incredulity."

"For the first time, people

MAJOR INVENTORS WHO PLAYED THEIR PART

According to Bösendorfer, the Vienna-based company which is among the world's leading piano makers, its new computerised system is the first major technical advance in pianos since 1859.

The instrument has certainly come a long way since it was invented by Bartolomeo Cristofori, a humble harpsichord maker from Padua, around 1700.

Christofori is credited with inventing an ingenious technique by which a hammer strikes a string and then automatically falls backwards, allowing the string to

vibrate and producing a pleasant, resonating sound. This is the so-called escapement principle.

In 1821, another inventor, Sebastian Erard, improved this technique, producing a better sound quality, using a method known as double escapement. Essentially, this gives the piano player greater control over the loudness of the note.

The major advance in the science of piano construction was made by Alpheus Babcock in 1827. He used a large, one-piece plate of cast

iron as the basic framework for a square grand piano. This gave the instrument the greater string tension necessary for the powerful tones favoured by piano players of the time.

But it was not until 1859 that piano builders began the development of what is called the overstring scale design, a way of laying out the strings and other components inside the piano. This led the way to the design of the grand piano as it appears in concert halls around the world today.

hear their own performance as though they have been sitting in the audience. It normally takes a few minutes for this to sink in."

Most of the electronics work on the project was done in Indiana, with Bösendorfer staff in Vienna concentrating on adapting the basic pianos.

When a pianist plays a note, the keys in the instrument are depressed by a specific distance. Each key is linked to a hammer, which moves in a similar fashion.

The optical sensors are a series of light-emitting diodes which, 500 times a second, obtain readings of the degree to which all 87 keys deviate from their resting positions. A similar arrangement of sensors stores data about the hammers—and also the movement of the piano's three foot pedals.

The sensors are sensitive enough to differentiate between about 1,200 positions for each key. This is a huge amount of precision bearing in mind that the maximum depression of a key—which occurs when a pianist gives his instrument a real thump during loud, energetic passages—is no more than about 1 centimetre.

The information about position is stored in digital form in a purpose-built computer. Later, the sound can be replayed by instructing the computer to play the piano using the data base of how a piece of music was performed.

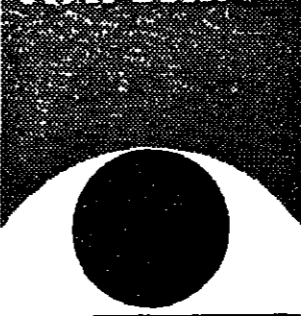
The system can also be a useful aid in teaching. A student could play a particularly difficult passage—and then not only hear this replayed with perfect fidelity but also be told by the computer of any poor notes or incorrectly expressed passages.

The teaching function follows from the power of the electronics system to analyse, note by note, the entire performance. Details such as the length of the notes and the force with which each is played are displayed to the pianist via a TV-type screen.

Kimball has produced a total of 12 computerised pianos. One of the first has been bought by the Massachusetts Institute of Technology, which will use the machines for research into the way people understand and compose music. Kimball hopes other systems will be used both by recording studios and institutes that teach music.

Anyone hoping that the instrument is capable of turning the performance of a ham musician into that of a world-class pianist is, sadly, due for a disappointment. According to Mr Vincent, the system's ability to embellish a performance is fairly limited, on account of the vast amount of computer power that would be required.

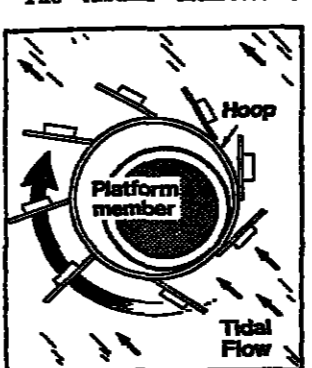
WORTH WATCHING



Edited by Geoffrey Charlish

Barnacles made to jump through hoops

OFFSHORE operators are being offered a means of cutting considerably the cost of sub-surface cleaning of their platforms. RevMarine of Falmouth has developed a self-propelled device which it claims can cut cleaning costs—amounting easily to £8.5m per platform every three years—by at least 40 per cent.



platforms soon become covered in marine growth. If unchecked, this can add many tonnes to their weight and cause dangerous loadings—but cleaning is expensive using divers. Mr Tom Henderson, himself a diver and also managing director of RevMarine has developed a simple device now being made by his company and called the Henderson Hoop.

The hoop breaks at one point and is pinned after fitting round the tube, having a loose fit. It is made from a resilient form of polypropylene and has radial fins which hinge out and catch horizontal tidal flow on one side of the hoop only, making it rotate once or twice a minute. Small attachments to the fins make the hoop also move along the tube over

whatever free length exists on that particular run.

The inside surface of the rotating hoop rubs against the tube on the side facing the water flow, keeping the tube free from growth. When the tide reverses, the hoop returns down the tube run, pushing in the other radial direction and cleaning the tube's other side.

A typical platform might need about 400 of the hoops for the many tube runs forming the structure.

US check on big-time smuggling

AIR CARGO containers can be inspected for weapons, explosives, drugs or other undesirable items at a rate of 85 containers per hour and a cost of \$20 per container using an X-ray system launched by Bechtel, the engineering and construction company of San Francisco.

Developed in conjunction with fellow US companies Varian Associates and American Science and Engineering, the system is said to be sensitive enough to pick out items as thin as a pencil and hidden behind several inches of steel. To get X-rays through such large objects as air cargo containers the system uses an 18-foot high, one-inch wide, fan-shaped beam. This scans the passing container and is driven from a Varian X-ray linear accelerator, claimed to be the most powerful X-ray source commercially available.

Magnetic bugs for cleaner rivers

TOXIC METALS in factory effluents, or river water entering plants that provide water supplies, could be reduced to very low residual levels, it is claimed, by a system under development at Southampton and Durham universities in the UK.

The process uses specially chosen bacteria which become coated with magnetic ions (charged atoms) of the metals that are in the water in the form of salts. The "bugs" act like tiny magnets, are then separated from the fluid using magnetic filters in the form of closely spaced crossed-wire assemblies. From time to time the filter is switched off and the accumulation of bacteria is flushed to a safe place.

The idea of bacteria attracting heavy metals is not new, but the two universities, sponsored by the UK Department of Trade and Industry and a

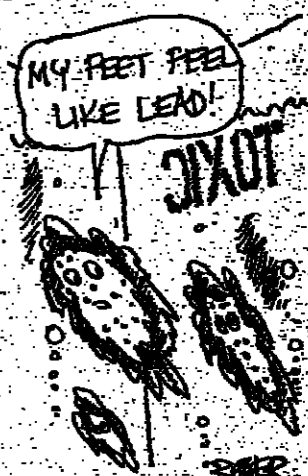
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A development by Standard Life makes all the difference.

UK company Bio-Separation of London, have developed the magnetic attraction idea to achieve extremely low residual levels of metal. The micro-organisms are able to take on their own wet weight of material and their removal magnetically from the fluid is very efficient.

Work recently carried out at a Dutch company showed the method to be capable of reducing mercury levels in plant effluent from 2,000 parts

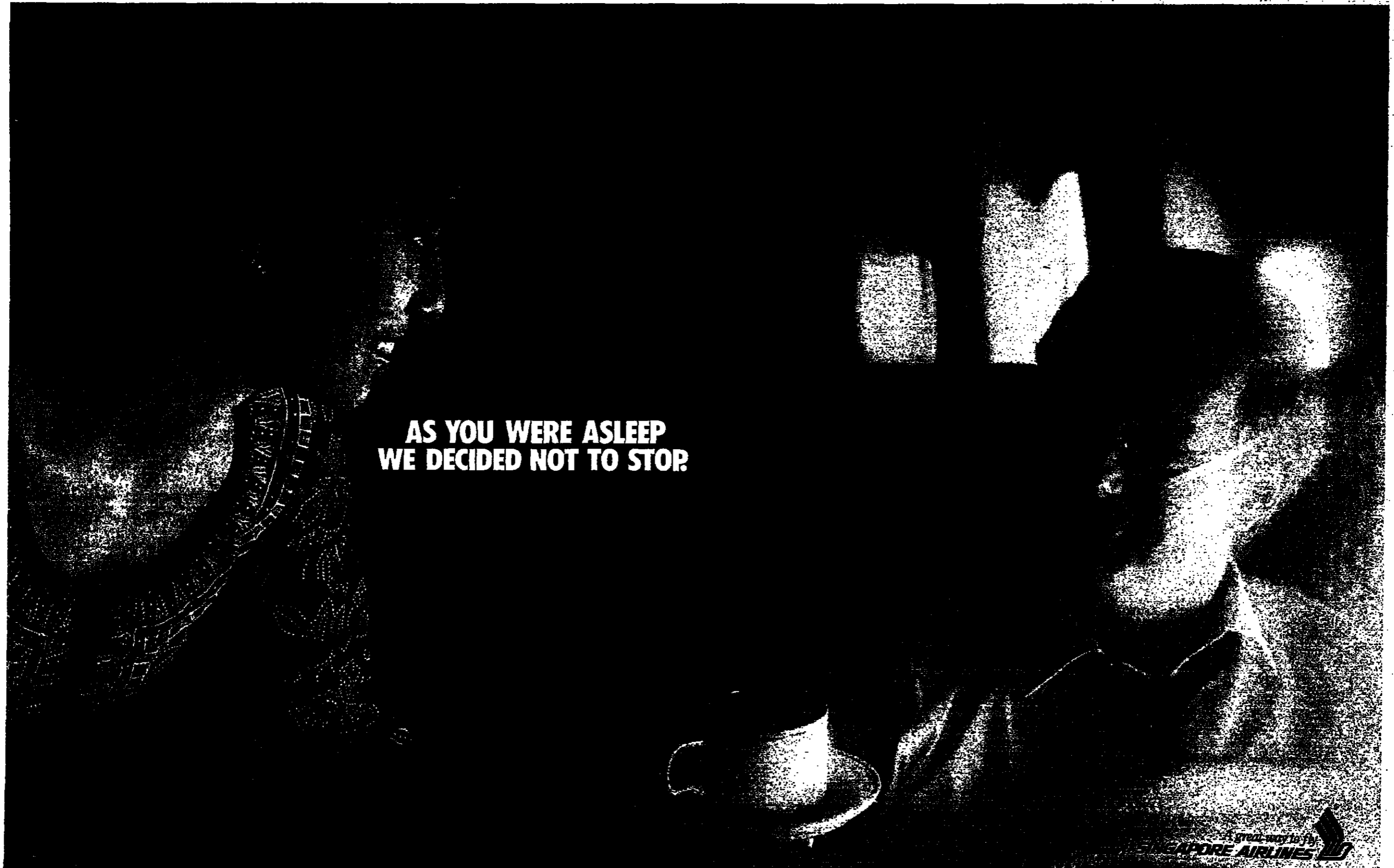


per billion to three parts per billion. Bio-Separation is co-operating with plant designers Davy McKee of London with a view to commercialising production of the equipment involved in the process.

A coat for cutting tools to wear

BALZERS High Vacuum of Berkhamsted, UK, has opened a division for the coating of cutting tools. The coating, called Baltrade, is an extremely wear resistant and chemically stable coating of titanium nitride offering "previously unobtainable" increases in cutting speeds, a better finish and longer tool life.

Contracts: RevMarine: UK, 0320 12340; Bechtel: US, (415) 788 1234; Southampton University: UK, 0703 589122; Balzers: UK, 04627 2181.



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Singapore Airlines logo and handwritten text.

UK NEWS

# Unit trust sales near £1bn as boom continues

BY ERIC SHORT

INVESTORS bought almost £1bn of units last month as the boom in unit trusts continued to accelerate to unprecedented sales levels.

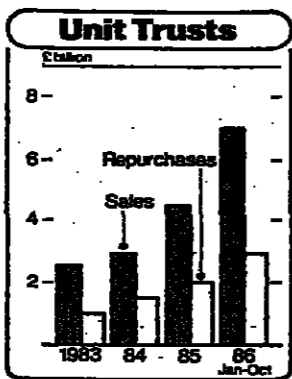
Figures issued yesterday by the Unit Trust Association showed that sales in October amounted to a record-breaking £983.7m - more than £100m above the previous monthly sales record of £865.5m achieved in June of this year.

The UTA pointed out that in 1981 total unit sales for the whole year only amounted to £955.6m, a figure then regarded as an excellent result.

These figures were boosted by a near-record number of 18 new unit trust launches. Many of these were highly successful, such as the Allied Dunbar European Growth Trust, which sold £34.9m of units, and Framlington Financial Fund, which sold £21.5m.

However, unitholders are becoming much more active in switching funds. Repurchases last month were maintained at the very high level of £369.1m, though some £60m lower than in September.

This resulted in net new investment in unit trusts at £623.6m, just £25m below June's record of £648.9m.



Total unit trust sales in the first 10 months of this year now amount to £7bn. Record sales of £4.5bn for the whole of 1985 have been left far behind. Although repurchases for the period total £2.89bn, net new investment has reached £4.11bn - against £2.54bn for the whole of last year.

Despite some dull equity markets during the month, the buoyant investment enabled total funds under management to rise by nearly a £1bn to £28.9bn, while the number of new unitholder accounts increased by a further 100,000 to 3.22m.

# Apricot computer moves into desktop publishing

BY DAVID THOMAS

APRICOT, the Birmingham-based computer maker is moving into desktop publishing, a market which is expected to grow rapidly.

Desktop publishing allows high-quality publications to be produced on personal computers.

Apricot says the UK market is worth about £30m a year at present, but expects this to grow quickly particularly when demand for word processing and desktop publishing begins to converge.

Apricot yesterday unveiled details of four desktop publishing machines ranging from £5,999 to £10,999, excluding VAT. It is also offering to add desktop publishing capabilities to the personal compo-

ters of existing customers for £2,999.

The company said it hoped to have about 30 per cent of the UK market after two years.

It thinks its first sales will be with general business customers, followed by demand from more specialist printing and publishing operations and the in-house printing facilities of large companies.

Apricot said this move into desktop publishing fitted into the strategy it has followed since it plunged into loss last year. This strategy includes concentrating more on services added to personal computers and on products likely to be part of networks in offices.

# Chernobyl reactor 'fundamentally flawed'

David Fishlock reports on Lord Marshall's view of the Soviet disaster

THE SOVIET reactor type which exploded at Chernobyl last April was fundamentally and dangerously flawed when judged by Western principles of reactor design, Lord Marshall, chairman of the UK Central Electricity Generating Board believes.

Lord Marshall, interviewed at the annual meeting of the US Atomic Industrial Forum in Washington, said the Soviets had admitted that their RBMK-type reactor at Chernobyl was grossly unsafe but they believed it could be kept in check by a rigorous code of operating instructions.

He said the reactor type was qualitatively different from every other reactor type in the world, and therefore held no lessons for Britain or any nation outside the Soviet Union.

At Chernobyl the operators flouted standing orders, and the nuclear fuel over heated to the point where it exploded into white-hot particles. Lord Marshall said international nuclear experts who conducted the



Lord Marshall

post mortem into the explosion had been distracted initially from its gross design flaws by top-level Soviet accounts of the many operating errors, and by their own fascination with the massive post-accident recovery operation.

Only later had it dawned on them that the Chernobyl reactor type - responsible for about 6 per cent of Soviet electricity capacity - had the fundamental flaw of a positive power coefficient at any power level below 20 per cent.

This meant that if, for any reason the amount of steam present in the reactor core should increase, the reactor's power output would automatically increase. This in turn would generate more steam, and hence more power.

"What we have is in effect a positive feedback on the build up of power," he said.

The Soviet reactor was the only reactor type in the world with the characteristic of a positive power coefficient. The characteristic had been deliberately eliminated from

all Western reactor designs. The West which had never been given details of the Soviet reactor type, had simply assumed that Soviet designers worked to the West's basic safety principles.

Lord Marshall likened the flaw revealed in the Chernobyl reactor to having a car with a design fault that required the driver to give constant attention to his brake when below 20 mph to prevent it from surging to 100 mph if, for example, the fan belt should break.

Like the car, the reactor needed to pass through the unsafe regime at least twice every time it was used. The accident occurred when it was deliberately being operated at low power.

Top Soviet nuclear officials had acknowledged the design flaw and said it was a colossal psychological blunder, to rely so heavily on operators.

The first rule of reactor engineering in Britain, was that any reactor must have inherent characteristics of self-protection and fail-safe.

An early clue that the Soviet design philosophy was different, came when a senior British nuclear engineer inquired about safety interlocks on their reactor - a question they evidently did not understand.

British reactors were protected by an extensive system of inter-

locks. Lord Marshall said the Soviets were now making changes "which, in effect make their practice look closer to our own."

Lord Marshall identified five basic rules of reactor operation which applied in Britain but did not apply in the Soviet Union at the time of the accident:

- Built-in capacity to fail safe.
- A design which makes it impossible to remove all control rods at once, or too quickly.
- Automatic shut-down if operators deliberately try to make the reactor unsafe.
- Operators who are well trained in handling unusual as well as routine situations.
- Independent nuclear inspection by a team which "can at any time without hindrance or challenge close down any reactor."

For these five reasons Lord Marshall concluded that there was "no narrow technical issue" in which the West could or should learn from the Chernobyl disaster.

# Open College seeks to attract sponsors

BY RAYMOND SMOODY

THE Open College, television and radio's vocational college is putting together a campaign to attract industrial and commercial sponsors.

Ms Sheila Innes, chief executive of the college set up by the Government earlier this year, is looking for a wide range of sponsors. She hopes companies will be able to sponsor courses, bursaries for students or even Open College workshops.

The names of sponsoring companies can be carried on printed material and the college is beginning to explore the extent to which sponsors' names can appear on screen.

The college, supported by the Independent Television companies, the BBC and Channel 4, is due to begin its broadcasts next September.

"We will be having consultations with industry to make sure that the high quality courses we plan to offer are in fact relevant," said Mrs Innes, controller of BBC Educational Broadcasting, who takes over her new job in January. The first raft of courses likely to

be offered at the Open College include: management skills, foreign languages for business, basic electronics and computing, and courses in job searching and basic communication skills. There will also be courses, aimed primarily at the unemployed, on profitable uses of spare time and for women returning to work.

A lot of the courses will involve assessment and the award of credits towards existing educational qualifications. But some will be what Sheila Innes describes as "at the jolly end" designed to attract less motivated learners with courses perhaps on rock music or do-it-yourself. "We might in the end even become the nursery slopes for the Open University," said Mrs Innes.

Britain, she believes, has been rather slow in investing in its employees and potential employees.

She hopes that those who enrol with the college - they will probably be called learners rather than students - will be given a sense of belonging to the institution.

# Chinooks to fly again after modifications

By Michael Donne

THE three Boeing Vertol BV-224 Chinook helicopters of British International Helicopters will be able to resume flying soon, once modifications requested by the Civil Aviation Authority to the transmission gear and other parts have been completed.

The aircraft have been grounded since the crash earlier this month of a BII Chinook whilst approaching Sumburgh airport in the Shetlands, following a "catastrophic fatigue failure" of part of the aircraft's forward rotor gearbox. Out of 47 on board, 45 died in the crash.

Immediate modifications to the remaining Chinooks on the UK civil register were ordered by the CAA, including replacement of parts in the gearboxes and transmission system.

This work is now well under way, and the CAA said last night that subject to satisfactory completion and inspection of the work, the aircraft could fly again.

# Critics of arts 'cuts' attacked by minister

FINANCIAL TIMES REPORTER

MR RICHARD LUCE, the Arts Minister, said yesterday that some arts lobbyists had turned pessimism itself into an art form and were in grave danger of damaging the cause of the arts in Parliament and in the country.

He hit back at those who had wilfully misrepresented his arts budget - announced on Monday - as "cuts", and who used colourful and theatrical language to overstate their case.

Mr Luce said: "Let us be quite clear about the position: my budget for next year has increased arts spending by 3.4 per cent - which is broadly in line with that for Government spending overall in the next financial year. The Arts Council has had its basic provision increased by 3.5 per cent - which is broadly in line with inflation."

"Under this Government real spending on the arts - that is after allowing for the effects of inflation - has risen by 13 per cent (after excluding local authority determined spending on libraries and museums).

"Of course I understand there are pressures of competing claims in the arts world but this must be seen against the background of ever increasing expansion of the arts. This annual ritual of despair is regularly proved to be unfounded. But when it is combined with a misrepresentation of the facts of the Government's very real support for the arts, it is in serious danger of doing harm to the cause of the arts."

Mr Luce, speaking to a gathering of business sponsors of the arts, revealed that business sponsorship is expected to have contributed up to £20m to the arts this year. "This is just one example of how the arts are expanding through a plurality of funding."

The National Heritage Memorial Fund, which has the task of safeguarding historic buildings, works of art, and the countryside, says it faces an impossible task if its annual grant from the Government - announced this week to be £3m, frozen from last year - is not increased.

# British dilemma on human rights

By John Hunt

A PRIVATE member's bill to incorporate the European Convention on Human Rights into British law is to be introduced in the House of Commons by Sir Edward Gardner, QC, a senior Conservative backbencher.

It would mean that British citizens who believe their fundamental rights have been infringed would have to have their cases heard in a British court instead of going to the European Court in Strasbourg.

Sir Edward came fifth in the ballot for private members' bills yesterday which means that his bill will be one of those debated in the Commons.

Another bill would give people the right of access to their personal files held by various organisations. "There is also the possibility of a bill imposing tougher sentences for serious crimes and one to give the long-term unemployed the guarantee of a job."

Sir Edward's bill, like others on the list, places the Government in an embarrassing dilemma. A similar private measure, the Human Rights and Fundamental Freedoms Bill, was strongly opposed by the Government when it was introduced in the House of Lords in December by Conservative peer, Lord Broxton (formerly Sir Derek Walker-Smith). It had strong all-party support and the backing of Lord Scarman from the cross-benches.

But Lord Glenarthur, Under-Secretary at the Home Office, opposed it as "a completely unjustified gamble" which would move Britain towards a written constitution. It passed all its stages in the Lords but was not given time in the Commons.

But now Sir Edward's bill will be debated in the Commons where it has wide support on both sides of the house. Sir Edward argued yesterday that it will remove potential conflict between the jurisdiction of the European Court and British law and would give British citizens swifter justice at lower cost. He hoped the Government would be convinced by the force of these arguments.

The bill giving right of access to personal files will be introduced by Mr Archie Kirkwood, the Liberal MP, who came sixth in the ballot.

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UK NEWS

Janet Bush reports on changes in the Bank of England's computing methods City faces money supply confusion

Lawson does not want fall in pound Labour opinion poll lead feeds sterling's jitters

By Philip Stephens

MR Nigel Lawson, the Chancellor of the Exchequer, yesterday re-affirmed that he does not want to see sterling fall significantly below its present levels against other leading currencies.

BY JANET BUSH

STERLING had another nervous day on foreign exchanges yesterday, falling sharply at the opening mainly because of an opinion poll which again showed the opposition Labour party in the lead.

calendar month reporting makes them very difficult to interpret at the moment. There are also distortions in connection with the large sale of shares in Trustee Savings Bank Group which the Bank of England said had boosted broad money.

The Bank of England's official money supply figures have always been difficult to interpret but the fundamental change in the way the figures will be reported from now on has thrown the City of London even deeper into confusion.

and yesterday the Bank of England published its figures on the new basis for the first time. The Bank of England said the change to calendar month reporting had no significant implications for monetary policy but it did pose some short-term problems for the measurement and assessment of the monetary statistics.

significant divergence from the banking month series and the trend is the same. The most serious question mark hangs over seasonal adjustment. The Bank said in a note accompanying yesterday's release that the seasonal adjustments applied to calendar month data would be less reliable and subject to greater revision.

terminal and foreign currency transactions and net non-deposit liabilities. Because of large seasonal fluctuations in departmental spending and the timing of tax payments, the monthly PSBR figures published by the Treasury in cash terms give only a very rough guide to the underlying trend of Government borrowing.

cent to 1.0 per cent in October, giving growth of 18.25 per cent and 18.50 per cent in the 12 months of the end of October. After seasonal adjustment, growth in the broad money series was thought to have been flat to 0.25 per cent.

The evidence to the House of Commons Treasury and Civil Service Committee, Mr Lawson also indicated that increases in public spending announced earlier this month had effectively ruled out a 4p cut in the basic rate of tax to 25p in the next Budget.

The Chancellor said the necessary downward adjustment in sterling's value in response to lower oil prices was now complete. The present policy was therefore to ensure that the exchange rate exercised "a financial discipline" in the economy.

The poll, published yesterday morning, showed the Labour Party ahead of the Tories by 3.5 per cent, the biggest lead recorded by Gallup since 1974. Recent polls had shown the Tories in the lead for the first time in nearly a year and had partly mitigated market concern about the deterioration in the balance of payments and forecasts for higher inflation next year.

Although the pound steadied towards the close, it still ended lower at DM 2.833, compared with Wed. 2.827's close at DM 2.847, and at \$1.110 after \$1.118.

The Prime Minister's comments on the European Monetary System and interest rates in an interview with the FT earlier this week cast doubt on two potential supports for sterling. At the same time as ruling out full membership of the EMS until at least after the next general election, Mrs Thatcher expressed her dislike of raising interest rates and of market intervention.

The foreign exchange market is concerned about the Government's commitment to defending sterling at a time when nerves are already running high about the next election.

This is the culmination of discussions with banks just over four years ago which concluded that banking statistics should be brought into line with most other economic and financial statistics.

UK Government bonds stabilised yesterday mostly in reaction to recent sharp price falls on successive trading days to the lowest levels seen this year. But retail demand remains absent and 3 1/2 per cent in six months is still vulnerable to any further sterling losses on foreign exchanges.

Norton Opax claims victory

BY DAVID GOODHART

NORTON OPAX, the fast-expanding printing and packaging group, yesterday claimed victory in its hard-fought eight month tussle for control of the larger printing group McCorquodale.

With just under 24 hours to go before the offer officially closes, Norton's advisers, Samuel Montagu, said that it owned or had accepted shares from holders of 50.2% of McCorquodale.

tom's victory claim and said that following an appeal to the Takeover Panel over the purchase of certain McCorquodale share blocks, the issue would not be decided until a meeting of the full panel on Monday.

Pru-Bache believes that between 6 and 8 per cent of McCorquodale's share capital has been bought in the market over the past few days by institutions acting in concert with Norton. These shares have been acquired at just over the buy-out team offer of 315p per share and well above the Norton cash alterna-

tive of 303p. Under panel rules Norton and those acting in concert with it are not allowed to buy at a price over its own cash alternative.

It appears that Pru-Bache's claim that at least one institution buying at 315p, a concert party, has been rejected by the Panel executive - hence the appeal to the full panel next week.

Holmes à Court pledges £275m for DBS plan

BY RAYMOND SNOODY

MR Robert Holmes à Court's Bell Group has written to the Independent Broadcasting Authority pledging that it is prepared to provide up to £275m to support the British direct broadcasting by satellite (DBS) project.

Bell is the principal investor in National Broadcasting Service (NBS), one of the five applicants for the franchise to run three new channels of satellite television in the UK.

The IBA chairman, says that the financial support will be in the form of satellite services, equity loans and underwriting. Mr James Lee, chairman of NBS, said yesterday that Bell had committed itself to spending £200m to purchase up to three satellites, and pay for two launches and a ground control station.

Minister backs private sector for N. Ireland power station

BY MAURICE SAMUELSON

THE GOVERNMENT last night confirmed that it was nearing a decision on whether to give the private sector a major share in electricity production in Northern Ireland.

Mr Tom King, Northern Ireland Secretary, told engineers in London that two private consortia, as well as the publicly owned Northern Ireland electricity authority, had completed proposals for a 450 megawatt station to burn local deposits of lignite low calor coal.

He left little doubt that if the private sector could guarantee low cost electricity for the province, it would receive the Government's approval for the project.

The injection of £400m to £400m of private capital would be a "major demonstration of confidence in the province", and the largest private investment ever made there, he told the annual dinner of the Institut of Mechanical Engineers.

Announcing that a decision might be possible at the beginning of next year, he said a privately run project would be assured of an early start, resulting in the early creation of 2,000-3,000 jobs in Northern Ireland, especially in the construction industry.

The two private consortia include major US as well as British civil engineering concerns. One of them, Antrim Power Company, is led by Bechtel Corporation of the US, the Hanson Trust, GEC, and a number of Northern Ireland investors.

The other, Loughside Power Company, is registered at the Belfast office of Harland and Wolff and is led by Foster Wheeler, Costain and Northern Engineering Industries.

Northern Ireland Electricity (NIE), backed strongly by power workers unions, is also pressing to build and construct the plant. It claims that, with the help of the Central Electricity Generating Board, it could do so at least as fast as its competitors and says it is legally entitled to raise private finance to do so.

Cement job cuts blamed on imports

By Lynton McLean

BLUE Circle Industries, the cement and building materials group, is to cut its workforce by almost 11 per cent with 1,200 job losses next year.

In addition, two Blue Circle cement works at Shoreham, Sussex, and Swanscombe, Kent, are likely to close at the end of 1988 with the loss of a further 300 jobs.

The redundancies and planned closures will affect 10 of the company's 19 factories in the UK as well as rail distribution depots.

Blue Circle said yesterday that the operation of Greek cement imports in the UK market in recent months had helped push imports to 3 per cent of the UK market, compared with near zero imports five years ago. This had been a factor in the company's decision to cut its workforce and production capacity.

Cement production capacity at the UK's biggest cement works, Blue Circle's plant at Northfleet on the Thames estuary, is to be cut from 1.6m tonnes a year to 1.0m tonnes at the end of next year, when two of the plant's four cement kilns will be shut with the loss of 300 jobs.

The decision reflects the excess cement production capacity in the UK when demand is static and imports are rising. Blue Circle is the largest manufacturer of cement in the UK, with 57 per cent of the UK cement market. It has the capacity to make 8.5m tonnes of cement a year, but last year sold only 7.8m tonnes out of a total UK market demand of 13.5m tonnes.

RITZ Cement and Rugby Portland Cement are the other two main UK cement producers in the UK.

Mr Hurd's advocacy of the biggest change in Britain's broadcasting system since introduction of commercial television 30 years ago, was viewed with suspicion by Mr Gerald Kaufman, Labour's Shadow Home Secretary, who accused the Government of seeking to undermine the position of the BBC by furthering the "Murdochisation" of the British electronic media.

Broadcasting changes outlined

BY IOR OWEN

THE BBC and the Independent Television companies will both be required to allow independent producers to provide around a quarter of their programmes under major changes in broadcasting policy outlined by Mr Douglas Hurd, the Home Secretary, in the House of Commons last night.

While unable to give any precise timetable for their introduction, he indicated that subject to the Conservatives winning the coming general election, a new system to permit competitive tenders to play a part in the allocation of independent television franchises, is likely to be in place by 1993.

In what Labour MPs interpreted as another precursor of an early general election, Mr Hurd ruled out any increase next year in the current £38.0m BBC licence fee.

He insisted on the need for independent programme producers to be given substantially expanded opportunities - over a period of four years rather than the ten years suggested by the Peacock Committee in its report on broadcasting - clearly surprised many MPs on both sides of the House.

Mr Hurd's advocacy of the biggest change in Britain's broadcasting system since introduction of commercial television 30 years ago, was viewed with suspicion by Mr Gerald Kaufman, Labour's Shadow Home Secretary, who accused the Government of seeking to undermine the position of the BBC by furthering the "Murdochisation" of the British electronic media.

He said: "Some of the independent producers themselves have campaigned for a figure of 25 per cent and a figure in that region seems to the Government to be a realistic goal at which to aim."

Student number projections increased

By Michael Dixon

MR KENNETH BAKER, the Education Secretary, yesterday forecast a more favourable climate for raising the projections for total student numbers. These projections underlie the Government's longer-term educational planning.

The move follows complaints from employers' organisations and higher education pressure groups that future student numbers as previously projected would not provide enough people with degree-level education to meet employers' needs.

Mr Baker emphasised, however, that the increased figures were not a statement of Government policy on higher education. There are two new projections, each based on a different set of assumptions about trends in demand for higher educational studies.

One, founded on past demand, projects that the total of full-time and equivalent part-time students, including those from overseas, would rise from 683,000 in 1985 to 760,000 in 1988, an increase of 14 per cent on the previous projection by the Government in 1984.

Consumer protection bill aims to liberalise European trade

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

A BILL designed to protect consumers from defective or unsafe goods and misleading pricing practices and, at the same time, help liberalise trade within the European Economic Community, was published by the Government yesterday.

The Consumer Protection Bill could become law within a matter of months, Mr Paul Channon, Secretary of State for Trade and Industry, said in London.

The first section of the Bill aims to make producers, importers or own-brand distributors liable for damage caused by defects in their products. Mr Channon said this would make it easier to obtain compensation.

"In particular, there will be strict liability; consumers will no longer have the heavy burden of proving that the manufacturer has been negligent," he said. This provision is based closely on a European Community directive on product liability, and implementation would be an important step in harmonising EEC law, the minister claimed.

While the new controls would reinforce existing legislation, there is some concern among manufacturers and consumer groups alike about the inclusion and framing of a "development risks defence" in the product liability section.

This could be the most serious threat to the Bill's smooth passage through Parliament. It gives a company a defence if, in the light of knowledge at the time of manufacture, it was not reasonable to expect the defect or defects to be discovered by the manufacturer.

Mr Channon said it was important that while consumers should be given adequate safeguards, the Government had to be careful not to "choke off" innovation. Consumer groups fear this amounts to a loophole through which drug and aircraft manufacturers, for example, may avoid liability.

The Confederation of British Industry, the employers' association, said yesterday that without the development risk clause, companies would be inhibited from developing new products. The availability of insurance cover would also be threatened.

"We shall watch with interest to see whether in practice this defence proves to have been drawn widely enough," Mr Kenneth Edwards, deputy director general of the CBI, said.

A general safety requirement in the Bill, designed to make it an offence to sell unsafe consumer goods, would apply to all products and allow speedy, decisive action when dangerous new products appeared, Mr Channon said.

It would reinforce existing legislation which provides powers to lay down specific rules about certain products. While this would continue, the minister said, it was too slow to deal with the appearance of products, "especially novelty goods which are all too often dangerous."

The third main provision will make it an offence to give misleading price indications and comparisons. Existing legislation on "bargain" offers has proved ineffective. Mr Channon said the new rules, based on a code of practice to be published separately from the Bill, would enable consumers to make better decisions "in a market where goods will compete on quality and value rather than on the basis of gimmicks."

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# FINANCIAL TIMES SURVEY

Friday, November 21 1986

## Industrial Property

Rents are rising again as the backlog of empty space left from the recession continues to fall. But development is still hard going in some centres and even high-tech faces problems.

### Out of the doldrums

A MASSIVE take-up of industrial property space over the past three years in most regions of England is helping to put life into that sector of the investment market.

Vacant industrial floorspace in England and Wales fell by 21.5m sq ft or 15.9 per cent in the 12 months to August 1986, according to agent King & Co.

"This trend has been continuous for three years, with a total reduction since the spring of 1983 of 63.8m sq ft, representing 56 per cent of the empty total," it said.

Another agent, Weatherall Green and Smith, led off the autumn edition of its quarterly property index with the stronger performance of industrial property investments.

"The industrial sector, which has for so long been in the doldrums with total returns well below the other sectors, is displaying more healthy signs. Returns have risen almost constantly for the last eight quarters," it said.

Increased interest in good industrial space would mean that the next prospective movement in yields was likely to be downward, it forecast. "This would result in a rapid increase in the value of existing investments, as well as providing a much-needed boost to the stan-

ard industrial/warehouse development which has been difficult to fund in the last few years."

But Neil Higson, a partner in Herring Son and Daw, says that there are harsh realities in the investment market which the mere take-up of space is not going to remove. "In many parts of the country there is not a great deal of logic behind the recovery that has taken

By William Cochrane

place in industrial development," he says.

"In many cases rents have not risen to a level at which investors can justify the capital input."

"The return they achieve on a new industrial development in the north Midlands might only equate to £1.70 to £1.90 per sq ft per annum. This is not an adequate return on a capital investment which includes £20 to £25 a sq ft of building costs."

"Until rents rise or yields move further only a limited amount of industrial development makes sense where rents are less than £2.50 a sq ft."

Mr Higson thinks there are

still two Britains from the development point of view.

King & Co implicitly advises against making narrowly-based assumptions on its statistics.

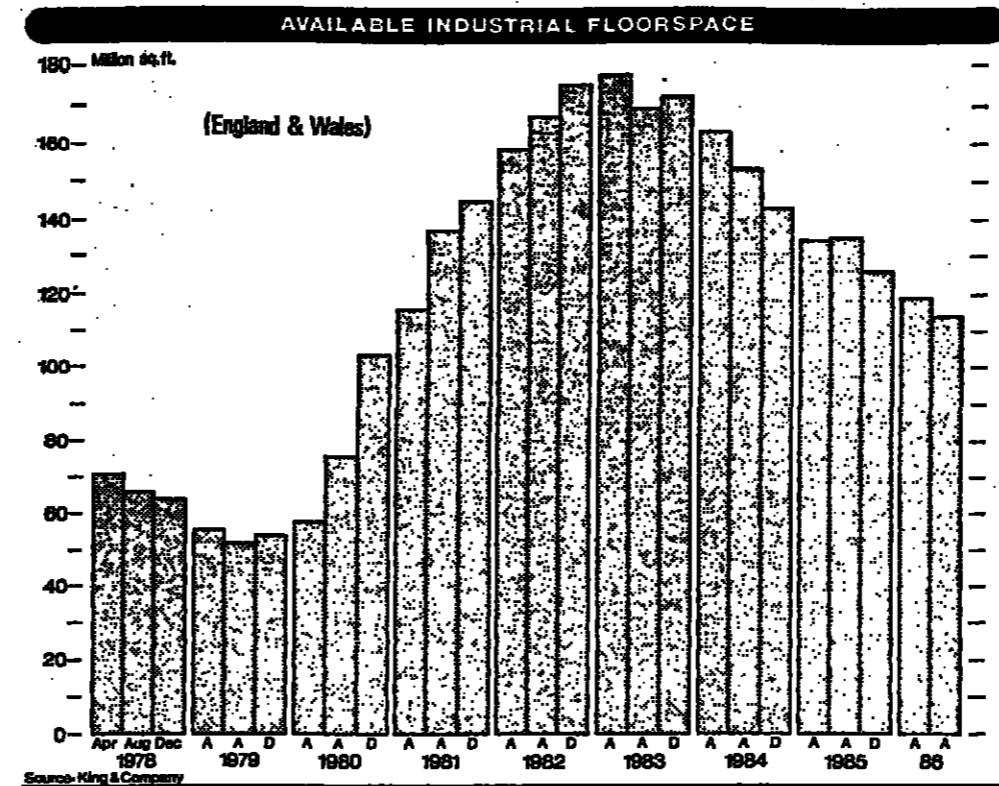
"One of the reasons for the reduction in industrial floor space continues to be the acquisition of industrial land for residential and retail purposes," it says.

"A number of major house-builders report that, especially in the south-east, redundant industrial property continues to be a major source of supply of residential development land."

Roger Carey, development director at Slough Estates, one of Britain's largest industrial property developers, has noted something similar. "Nine out of 10 opportunities put to us on the industrial development side these days refer to the potential for retail — just as, two years ago, they would have referred to high-tech prospects," he says.

"All developers are seeking funds and funds are easy to come by for retail development. They are not so easy for high-tech any more."

"Hi-tech" in the distorted form which produced tin pavilions jammed together on back lots at Bracknell, high in price and low in amenities, seems to have been an expensive bubble



Source: King & Co.

which has now burst. However the switch to flexible "business class property," may be one of the most important happenings in property development for decades.

Mr William Winterston, an associate of the agent St Quintin, said that institutional investors are taking a cautious approach to property developments for high-technology industry. "The inevitable failure of some companies in the sector is one factor influencing investment," he said.

This year has seen careful discrimination between suitable hi-tech sites and those for traditional industrial and warehouse development. Next year will see increasing competition between developers for the blue chip, high-technology covenants.

And what is a blue chip? This year has seen Hewlett Packard, halting its fitting out at Waterside Park, in Bracknell, developed by LET, funded by Wyndham Investments, and sold in July for more than £14m to Shell Pensions Trust.

IBM-Rolm also confirmed its withdrawal from headquarters development plans at Swindon, moving instead under the parent company's wing to Havant, in Hampshire.

Hi-tech occupiers have

clearly been shaken by the recession in their home base of Silicon Valley, California, and other high technology centres in the US.

Yet, at the same time, other companies in the information technology business have been making major owned-occupier property investments in the UK. Maybe another year will tell where demand is really going in this high pressure sub-sector of the industrial property market.

Hywel Jones (top) and Heinz Wolff: predicting the future needs of industrial tenants



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#### Trends

### Producing the tools for living

HI-TECH was on the up and up last year but now, late in 1986, it is beginning to look like discarded packaging in the industrial property market. Will business parks go the same way or do they represent a serious, consumer-led change in commercial property?

The television presenter Prof. Heinz Wolff, who describes himself as a bio-technician, addressed some of these points last month when he spoke at the inauguration of Watchmoor Park, London and Metropolitan's ambitious 420,000 sq ft business park near Camberley, Surrey.

Best-known for television series such as The Great Egg Race and computer advertisements, and actively involved in the European space programme, Prof. Wolff emphasised the need for business-science parks. He called them the lynch-pin of the high-technology and science-based industries.

These buildings would, he said, have to produce the "tools for living" — intelligent products that would facilitate work for this and future generations, especially those using the silicon chip and computer technology.

Prof Wolff emphasised the importance of communications in these parks, both in their location close to transport routes and in a crossflow of information between tenants and research centres, such as universities, so that the maximum benefit would be gained from the knowledge acquired.

He believes that the parks should become scientific communities like universities and not merely glorified industrial estates.

A broader but in some ways similar brush was wielded by the economist Hywel Jones eight months earlier in a presentation on demographic trends and their effect on property for the College of Estate Management Property Conference 1986.

Hywel Jones, one of the youngest-ever economics lecturers at Oxford University, is a well-known speaker on economic issues and business strategy. As head of the Henley Research Centre he predicted in 1985 the renaissance of industrial rents which has led to the recent recovery of industrial property as an investment medium.

He left the Henley Research Centre early this year to form his own economics consultancy, H. G. Jones and Associates, who have been appointed consultants to agents Richard Ellis.

In February he said there was little reason to believe that the process of deurbanisation—in the sense of the decline of the old-established agglomerations—would be reversed before the end of this century, so Prof Wolff's support for the motorway-oriented business park seems well based.

Mr Jones points out privately that deurbanisation, as he defines it, has been going on since the 1930s.

In February, however, he added that the demise of manufacturing industry is not inevitable—and that some of the derelict industrial properties may well be associated with a degree of renaissance in the 1990s.

Mr Jones does not see himself as an oracle. "It would be daft to forget the conventional wisdom that manufacturing has a pretty gloomy future in this century," he said.

But he felt it necessary to remind his audience that UK industry endured a rough shake-out in 1979 and, in many cases, is now up to world standards of productivity; that its competitiveness, marketing strategy and management could also be improved; and that light industry would perhaps take over where heavy industry was left to rot the relatively prosperous parts of the country.

W.C

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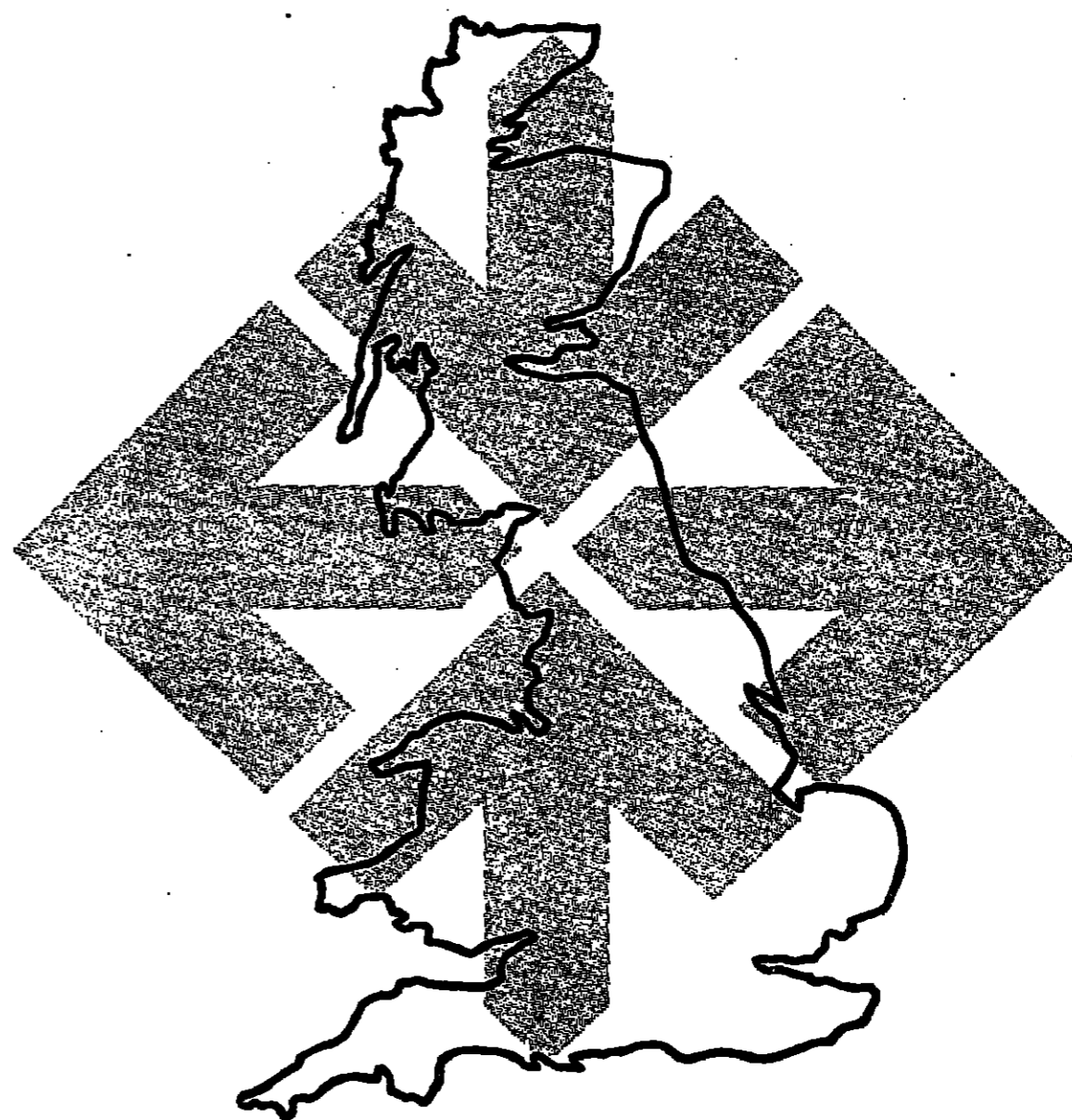
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## Industrial Property 2

Views of investment, development and some key markets

# Impetus moves to business parks

A YEAR AGO, high-tech was high fashion in the institutional property investment market; but the glamour faded before 1986 was more than a few months old.

Observers had seen well over £1m an acre paid for land at the Heathrow end of the Western Corridor. Some developments, notably in hot-spots like Bracknell, visibly skimmed on the basics in an attempt to maximise the profits.

Developments were carried out on backland, or in ill-sited, or on low-density sites, and cut back on car parking. These days, though there has been a return to the basics in an attempt to maximise the profits, developments were carried out on backland, or in ill-sited, or on low-density sites, and cut back on car parking. These days, though there has been a return to the basics in an attempt to maximise the profits, developments were carried out on backland, or in ill-sited, or on low-density sites, and cut back on car parking.

ings where the extent and certainty of rental growth is more difficult to predict than for offices.

The UK situation also reflects the 1985 shake-out in Silicon Valley, the Santa Clara county, California, home of high-tech electronics. This left US companies in the information technology and related electronics industries extremely cautious about their international property requirements.

Hewlett Packard has stopped fitting out Waterside Park, London and Edinburgh Trust's much-praised campus development at Bracknell, Berkshire, while it reviews the situation. Other companies in the oil, oil service and oil products industries are also being cautious after the drastic fall in crude oil prices.

The development impetus has moved, in name, to business parks. Typically comprising flexible, relatively high-specification developments designed to rent at between local industrial and office

values, they sound like a more sober form of high tech.

Fletcher King's Mr Brian Waldy recognised this in an October 1986 report which said that business parks have shaken off their novelty image and that investment yields on this type of development, and on high tech property in general have fallen relative to other types of property, indicating that they are considered less risky than they were.

Mr Waldy noted that the costs of building a high-tech or business park are likely to be as much as 36 per cent higher than that of developing a traditional industrial estate. This would be before accounting for the fitting out and additional servicing costs and extra expense on landscaping.

Even so, the future looks bright for industrial developers, says Mr Waldy. The London Stock Exchange concurs with Arlington Securities, the specialist business park developer, riding high in the market after a highly successful

flotation six months ago.

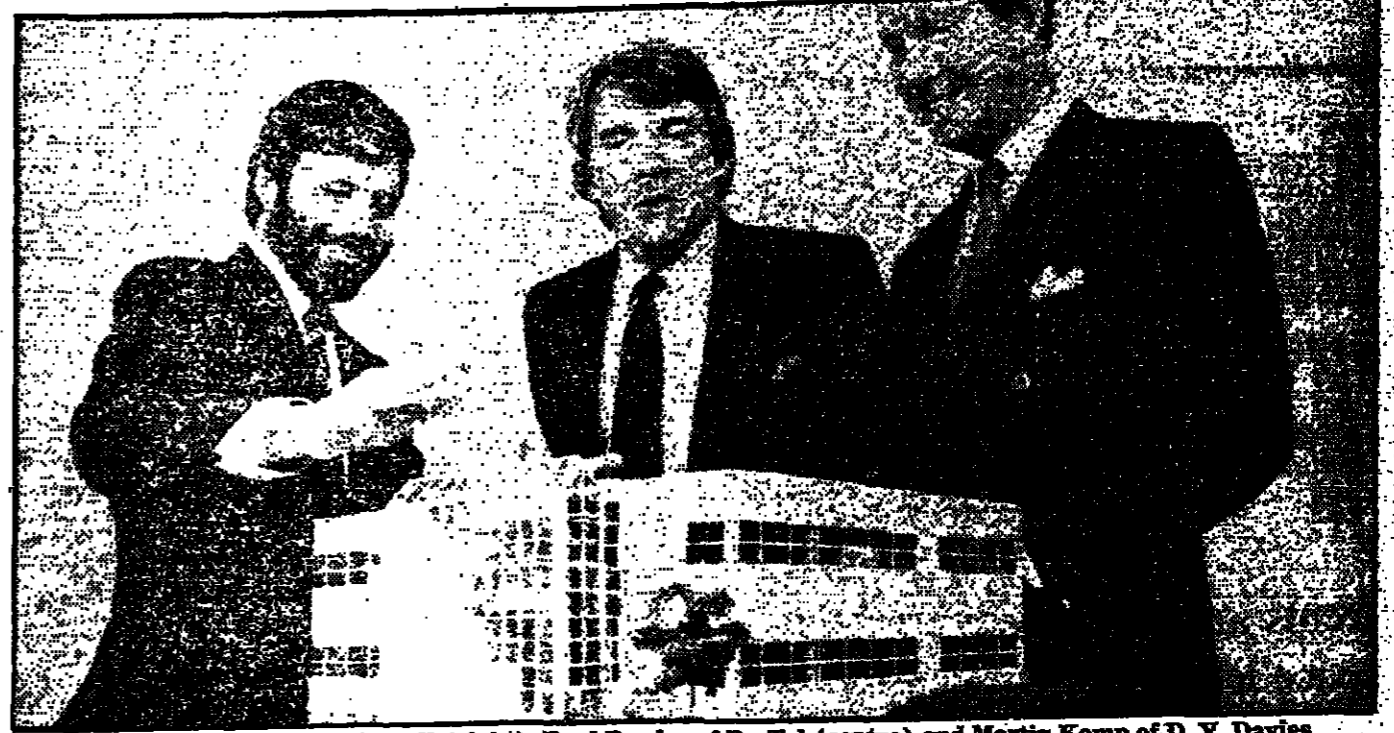
Meanwhile, Mr Chris Kershaw, an associate at St Quintin, asked in the firm's October 1986 market commentary whether the conventional "shed" building was on its way out.

"Inquiries from consumers are at a very high level," he said. He noted the shortage of well-located space across the range of floor areas—5,000 to 150,000 sq ft, from the conventional low office content 'shed' to the so-called 'mid tech' high office content unit.

Like other observers, St Quintin noted the occupiers' demand for freeholds. Companies were seeking the freedom to become their own landlords, to escape rent reviews, to use buildings as they wished and to be able to realise capital from their property asset in future, said Mr Kershaw.

Whether this trend will continue, with interest rates readily on the way up instead of down, remains to be seen.

William Cochrane



Danny Desmond of Bride Hall (right), Fred Reeder of Postel (centre) and Martin Kemp of D. Y. Davies inspect a model of Park One, Bracknell

### Bracknell

## Land price leaves critics gasping

BRACKNELL Berkshire, has seen some of the highest "industrial" land values in the country, reflecting its location near Heathrow Airport and its reputation as the heart of high-technology industry in the UK.

Even so, some critics gasped a year ago when Mr Danny Desmond's Bride Hall, backed by Postel, paid £22m for 37 acres in the centre of Bracknell's commercial area a little over a year ago.

They noted that only 22 acres of the site were fit for development, leaving a net land price of £1m an acre without the benefit of even outline planning permission. The development partners advised by joint agents Bernard Thorpe and Partners

and Debenham Tewson and Chinnocks, have held the site for a year and also made a contribution to the roads.

But last July, Bride Hall and Postel obtained outline permission for a £90m, 650,000 sq ft business park. They named it Park One and announced the first phase of 130,000 sq ft in four speculative low-rise air-conditioned buildings fronting the A329(M) which links Bracknell with the M4 and Reading.

They expected a high proportion of the 650,000 sq ft total to be purpose-built accommodation, however, and proved their point less than three months later.

Nixdorf Computer, founded in

West Germany and one of Europe's leading minicomputer manufacturers, said in mid-October that it had agreed in principle to build 300,000 sq ft of buildings—described by observers as a "headquarters complex." The first two blocks of the new complex, comprising about 200,000 sq ft, are expected to be completed in the autumn of 1988.

The estimated value of the park, according to reports, rose to £100m after this deal. But there were other estimates that the sale of some eight acres to Nixdorf for the project at more than £10m, or about £1.2m an acre, was netting a land profit of £500,000 an acre for the development team.

Somehow the idea had got around that 30 acres of the park were fit for development, leaving an original land cost of £700,000 an acre. Bride Hall founder Mr Danny Desmond denies this, however.

First, he points out, the Nixdorf deal is not a case of one investor simply selling to another. A development group is selling what will be a purpose-built finished product to an owner-occupier, so a lot more than a land deal is involved.

"Bride Hall is the product manager and there will be stage payments at various times in the development cycle. The site value will merely be the first of these."

William Cochrane

### Harlow

## Motorways ease new town blues

DESIGNATED A New Town in 1947, Harlow has suffered in recent years from its reputation as a manufacturing centre with relatively unattractive housing, too far from Heathrow Airport to share the recent lure for high-tech developers of towns near the north-west sector of the M25 like Watford or Welwyn Garden City.

That is beginning to change, however. A recent study of prospects for the M11 corridor underlined the fact that Harlow, north of the M25 and on the M11 between London and Cambridge, was at a north-south axis which included Stansted Airport, not to mention the recreational attractions of Epping Forest.

Michael Breheny, Douglas Hart and Peter Hall, who prepared the report for property

professionals Derrick, Wade and Walters, said that the M11 corridor's attractiveness to future high-tech companies was demonstrated last year when the multinational International Telephone and Telegraph decided to build its European research headquarters in Harlow. The £7m project, on 3.3 acres, will provide 65,000 to 80,000 sq ft on four floors.

The influence of the M25 should not be ignored, however. Michael Cleall of Jones Lang Wootton says that industrial investment in Harlow is rising with interest in the town generally, but that the completion of the M25—especially the two sections which allow a straight run to Heathrow—will be important to the town's development.

"You can get here in an hour

from Slough and less than that from Heathrow," he says, noting that two years ago industrial land values were only £150,000 an acre on the Pinnacles industrial estate just west of the town centre. "You would pay over £300,000 an acre today for a quasi-hi-tech site," he says.

People respond to that sort of performance, he adds. He notes keen developers' interest in buying sites on Pinnacles West, 42 acres of land which has planning consent for factories and warehouses. One concern has already bought six acres with the option on a further six for speculative development.

Meanwhile, the Commission for the New Towns has decided that the time is right to go up-market in a big way. They and Jones Lang Wootton have

just put an application for a 55-acre business park, to be called the Harlow Business Park, on land adjacent to Pinnacles West.

The premium on land values is not what one would get in the western stretches of the M25 where agents Hillier Parker, a year ago, estimated that hi-tech use would double the price of the land. In Harlow it might currently put it up from £250,000 to £300,000 plus.

"In Slough there is a massive differential between office rents at £16 a foot and industrial at £5. Hi-tech may make £12 a sq ft, which is more than twice the shed level," says Mr Cleall.

Harlow, on the other hand, has not recently established demand or rents for new office development on any scale. There has been no letting of hi-tech property, says Mr Cleall, because there has not been any hi-tech speculative building.

He estimates that £7.75 is a reasonable level at which to pitch the rent for offices. Since Haslemere Estates has been getting £4 per sq ft for good quality industrial space on the Pinnacles East estate he estimates that hi-tech, or flexible, business park style accommodation would currently rate a rental level of £6 to £8.50.

William Cochrane

### West Midlands

## Market on the turn

THE industrial market has turned in some provincial areas such as the West Midlands, Britain's manufacturing heartland. The region suffered disproportionately from recession, but rents, which dipped between 1984 and 1985, are now keeping pace with inflation.

Most letting incentives such as offers of a free Jaguar or a luxury holiday in Spain are a thing of the past. But the tenant offering a good covenant might still extract some concession.

Rents of up to £2.50 a sq ft for new, medium-sized factories are still inadequate to encourage speculative development. Smaller units under 2,000 sq ft that might command about £3 a sq ft, or schemes with exceptional sites are the ones to gain institutional backing.

The developers might not be active, but nor are they selling their land. It is a question of watching for opportunities and waiting for the market to move. Mr Freddie Dyer, senior partner of agents Colliers Bigwood and Bewlay, points to the 150-acre scheme by Arlington Securities on perhaps the best site in the West Midlands, near the National Exhibition Centre, as the one that might set the pace.

### Welwyn

## Big plots come cheaper

"THE THING to remember," says John Thorogood of Stimpsons in Welwyn Garden City, "is that over four to five acres you're going to get a discount."

Typically, he says, land values are quoted for small lots, the land which interests the big occupier, or developer, is likely to come a lot cheaper. Jimmy Gulliver's Presto retailing operation, he notes, paid £2.4m for a regional distribution site of 11.3 acres in the middle of last year. "Now they've got 205,000 sq ft on it," he says. That works out at a little over £200,000 an acre.

Standard values are better than that, and getting better still, says Andrew Surt of Jones Lang Wootton. "Two years ago

straight industrial land was going for just under £250,000; now it is £300,000 to £325,000. It may be that environment is more talked about than paid for, what links Welwyn and Harlow is that they have both been separated in marketing time from Heathrow by the last two links of the M25, now completed. It will be interesting to see what happens next.

Meanwhile, Allied Dunbar Property Funds and Hunting Gate Developments, advised by Jones Lang Wootton and Gooch and Wagstaff, have the first building coming out of the ground on their Shire Park business park development in the City.

The whole 61-acre site was owned by ICI, for which the development team is building a

divisional headquarters of 160,000 sq ft for its petrochemicals and plastics operations.

The next really big development came last August when the partners announced that they had sold 10.75 acres to DEC (Digital Equipment Company) at Shire Park with outline planning permission for 198,000 sq ft of offices and product development space.

Once again the plans for the 80,000 sq ft first-phase building seem to put DEC on the fine margin between industrial and pure office space.

"On that basis we're looking for £8 to £9 for hi-tech," says Mr Surt.

William Cochrane

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English Estates



Fig. 1. The Acorn



Fig. 2. The English Oak

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# Industrial Property 4

## Use Classes

### Flexibility to order

THREE YEARS ago, this survey discussed the sustained pressure on the Government to revise the Town and Country Planning (Use Classes) Order 1972.

Mr Richard Crosswell, of the planning and development department of Cluttons, recalls that radical reform of the legal powers available to local planning authorities, had been made patently necessary. The 1972 Order, he says, could not keep abreast of market developments, especially hi-tech office/industrial schemes with their hybrid and unorthodox blend of uses.

Early next year a new Use Classes Order should be brought into force. The Government set things in motion in mid 1985. By last summer, after a report from the Property Advisory Group—through which the property industry advises the authorities—it had published a consultation paper. The paper's proposed merger of Classes II (offices) and III (light industry) into a new business use class, is the move which attracted most interest, said Mr Crosswell.

The agents Richard Ellis discussed the reasons for the projected changes, and their potential effects on the market, in their quarterly investment bulletin in October. They noted changing tenant demands, reflecting the desire for maximum flexibility and resulting from a number of market characteristics, including:

- Higher standards required in the working environment;
- Higher profiles and market image of occupiers;
- Expansion of the computer and electronic sectors;
- Preference for out-of-town locations;
- The need for interchangeability of functions between office, research and development and manufacturing/assembly operations.

"These needs have been accommodated in the market in a range of new style developments," says Ellis. "They include high-tech buildings, business parks, science parks, research parks, office parks and campus-style developments. In some cases these terms have

developed to meet planning requirements as well as being used as marketing tools to improve the image of the development."

The difficulty in identifying the precise use of the occupier of this type of development, say Richard Ellis, has undoubtedly caused investors to approach the neo-industrial sector with caution.

Implementation of the consultation papers' proposals will give much more flexibility to the occupier. On investment, say Ellis, where developers and institutions provide or own properties of accommodating the new business class, sustained demand should lead to continuing growth in this sector.

They believe that a more flexible occupation of commercial buildings will reduce the possible effects of depreciation and obsolescence. The occupier will move more often, thus allowing more scope for the owner to bring the property up to date.

The proposals could have a significant impact on some town centres, hastening the decentralisation of the traditional office market to out-of-town sites which allow greater flexibility of design and accessibility as well as an improved environment.

The big new developers, like Mr Stuart Lipton of Stockley Park and Broadgate fame, have already noted the possibilities outside congested town centres like Reading, near the M4, where out-of-town sites are looking more and more attractive.

Ellis says that on property values, interpretation of the new classes and their interrelationship will cause confusion in the short term. "Specific valuation problems will arise in relation to interpretation of rent reviews, user clauses and the wording of planning consents on existing properties, subject, of course, to the location and specification of the building," they add.

Ellis thinks that the investment market may see a fundamental readjustment of relative yields of office, industrial and high-tech properties, with a

knock-on effect on site values and an impact that varies according to location.

Some of that has already happened around the M25, with a differential between office and industrial rents as high as £10 per square foot to the west of London and industrial land values doubling with permission for mixed-use development. The difference is sometimes between £500,000 and £1m an acre.

North-east of London the differential may be £4 per square foot, the mixed-use market totally untested, and the premium for a higher office content roughly £30,000 an acre on a base of £250,000.

On the valuation of the completed properties, Ellis notes a current yield gap of over 2 percentage points between prime provincial office yields and industrial yields. They say that the gap should narrow for properties in the new business class.

"The growth expectations from an out-of-town office park and high-tech campus-style development in the same location are likely to be similar and the yield levels should reflect this," they say.

"This may lead to a fall in high-tech yields to below 7 per cent, while prime industrial yields may reduce to below 8 per cent."

Assuming that existing workshop accommodation falls within the new business class, say Ellis, demand for this type of property should increase with the potential to secure full office use.

William Cochrane

## PLANNING USE CLASSES

Present	Proposed
Class I	*Shops for the sale of hot food, tripe, cats-meat or motor vehicles New retail class
Class II	Other shops for the sale of goods by retail (including retail warehouses) Hairdressers, undertakers, travel and ticket agencies, post offices, receivers of goods to be washed, cleaned or repaired *Other "retail services" Banks, building societies, estate and employment agencies Professional services to the public (eg solicitors) Other offices Light industry New business class
Class III	General Industrial building class
Class IV	Special Industrial class
Classes V-IX	Warehouses New residential institutions class
Class X	Hotels etc Residential schools and colleges Hospitals and homes *Hotels New non-residential institutions class
Class XIV	*Non-residential education and training Clinics, health centres etc Museums, public halls etc Places of worship Theatres, cinemas, concert halls etc Dance and sports halls, baths etc *Other indoor and outdoor sports and leisure uses New assembly and leisure class
Class XV	*Dwellings Small businesses at home *Communal housing of elderly and handicapped New private residence class
Class XVI	*Retail sales on open land *Light industry on open land *General industry on open land New open land class New open land class New open land class
Class XVII	
Class XVIII	

Source: Cluttons \* Uses marked with an asterisk are currently not classified.

## Supply

### Space eroded in patches

TWO Britains: that is tempting way to consider the market for basic warehouses. And there is a degree of truth in it. Supply is certainly at its tightest in the South East, but the abundance of a couple of years ago throughout the rest of the country has diminished.

That again needs to be qualified. While the supply of modern accommodation in the Edinburgh region is slimming, there is a totally different picture in, for example, Skelmersdale, where the Commission of New Towns is having difficulty disposing of anything.

It seems clear that, especially in the south-east supply is beginning to dry up because development has been sluggish. The way in was not gone up. "It is the supply that has tightened," suggested Mr Paul Winter of Goddard and Smith. "Stocks have been run down because developers stopped developing. High-tech has mopped up the supply of land available for industrialists."

Mr Chris Kershaw of St Quentin agreed. "Functional warehouse and light production buildings were, to a large extent, ignored."

It is not difficult to see why. With institutions looking at industrial portfolio performance over the last six years, a market hangover with unit space remaining available for long periods, there was little inclination to increase investment in traditional industrial and warehouse properties.

That is one Britain. But in Scotland, for example, the picture is more mixed. Stocks of modern accommodation have been run down in the Edinburgh area, but there are incentives to take up space not far away in Livingston New Town, reported Kenneth Ryden of Edinburgh.

On the outlying industrial estates in East Lothian, Midlothian and West Lothian, the market is improving but rents about half those in Edinburgh.

Ryden expects private developers to return to the market but not in a big way. "There is still a large gap between the present rental values slightly in excess of 2 a sq ft and the rental of 2.85 required to justify economic development."

One problem that has cropped up here is a lack of flexibility in leasing arrangements. "It is clear that the industrial estates which are suffering worst are those where properties are held on ground leases from local authorities, who tend to be obstructive in allowing assignments or sub-lettings..." Ryden commented.

But Aberdeen, hurt by the reduction in oil prices, has seen not only a negligible amount of new accommodation let in the past month but also an increasing amount of second-hand units coming on to the market.

However, said Ryden, "Many of these buildings were designed

units with an office content of up to 25 per cent. That was for new floorspace.

But in the near future, running through to the end of 1987, Campbell Gordon expects only 638,400 sq ft to become available, well under current take-up levels. The agents classify this as a sector of opportunity but warn that "it is in competition with the secondhand market where very cheap space can be obtained."

L. S. Vail of Southampton started worrying about the declining development rate of industrial and warehouse parks in Hampshire, Berkshire and Surrey a year ago. Now "the position has become acute," Vail reported.

"Relatively it seems that funding interest is reviving in such

schemes and yields are fine-tuning down to close to 8 per cent, but there is an urgent need for more development. Our six-monthly industrial survey in June revealed the lowest stock for a decade with 3.57m sq ft of factories and warehouses available.

"Since then the figure has declined still further," Vail estimated.

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However, said Ryden, "Many of these buildings were designed

to mid-70s standards with poor insulation, limited office accommodation and no yard-space, and tenants often find them unsuitable."

In the north of England much of the industrial accommodation are often vacancies because of bankruptcies," said Mr Graeme Elliot, vice-chairman of Slough Estates, the country's biggest industrial property developer. "There is little rental growth. The only improvement is in the growth of occupancy. So we are unlikely to go out and buy land."

An example Slough Estates quote is Chester, severely depressed town in the country. Although the industrial area is on the wrong side of town relative to the motorways, asking rent is the same as in 1983.

In total, then, the picture emerges of higher take-up but not necessarily of higher rental values. It seems clear, however, that the supply of warehouses is less than the supply of factories.

Some evidence of this comes from a survey of industrial yields, published earlier this year by Hillier Parker. Defining a void as a property which is not income-producing in terms of value, it calculated the amount of void space of 40 funds with industrial property worth approaching 1.5bn, the void rate in factories was twice that of warehouses at 4.1 per cent compared with 2.0 per cent.

Hillier Parker also found that the general void rate south of a line drawn from the Severn to the Wash was half of that to the north.

Clearly the rate at which vacant accommodation fills the amount of rents achieved and the way in which developers respond to any shortage of space is tied up with the general economic situation. That must especially be the case in the regions outside the south-east.

Inside the south-east the prospects probably look best for new developments of warehouse space, most notably in the retail sector. In general, noted Mr Elliot, "there is little demand for old-style buildings."

This suggests that, as he put it, "it is a more viable prospect to redevelop than refurbish."

But land prices have moved up, drawn by the scampier into high-tech developments. There is evidence that this process is tapering off and that industrial land values are moving on to meet declining high tech land values.

But prices are still so high that developers are being forced carefully to examine the ways of maximising their original and investment. And that will not necessarily mean putting up basic shed.

Paul Cheesright

## Companies

### Image can be critical to survival

IMAGE IS again becoming important among UK industrial property companies.

Slough Estates, the largest industrial property group in Britain, is one of the most likely candidates to benefit from the upturn in property activity in the prosperous south-east. Its mixture of solid earnings, institutional support and a dynamic approach injected by management changes are the pillars of its popularity.

"Slough is revitalised," says Mr Nick Hunter Jones, property specialist with stockbrokers Quilter Goodison. "It now has a fresh approach and is beginning to make land perform again by maximising existing blocks of assets."

"Should planning regulations change and permit light industrial land to be used for office development, Slough will have an amazing potential."

The group's strengths are in the western corridor and its potential moves into other commercial property than industry. Some of its overseas interests are out of step with its UK performance, however. Canadian operations are viewed as "very sensible with no surprises and no shocks" but the entire US

side is handled by a small-scale unit with a Chicago base "which is less exciting than it looks."

Mr Will Martin, of Scrimgeour Vickers, feels Slough's fortunes will take off in 1987 as rental dealing income improves substantially. Profits are estimated at £55m and earnings at 15p per share. The company, its competitors and the market place all view Slough's future as bright.

While Slough might be the epitome of a new aggressive breed of industrial entrepreneurs, the case of Percy Bilton is more complex and its future more uncertain.

Bilton is generally viewed as "a dull" or "boring" and considered a likely takeover target (possibly by Arlington or Brixton). Yet the group was historically aggressive, building the first fully air-conditioned flats in the UK.

The group built an investment portfolio of nearly 7m sq ft with virtually no short-term debt. Its problems started with the retirement of Mr Bryn Turner Samuels, managing director, heavy losses on housing, institutional concern at the management of the group, the retirement of founder Percy Bilton and adverse publicity over a winding order for a disputed £552.99.

By 1980, its industrial rental growth portfolio of nearly 7m sq ft to the recession although profits and dividend managed to inch ahead. The death of Percy Bilton in December 1982 was followed by rumours of a Barrat takeover and an unsuccessful Trust Securities bid. Annual profits were touching £10m but the group was still considered "unexciting."

The scent of another bid emerged earlier this year when

Clayton revealed that it had built a 3.5 per cent stake.

Scrimgeour sees the group's share price as "too far ahead of events." Bilton has raised the freehold content of its portfolio to more than 90 per cent and its attention has switched to developing new and existing sites as investments. Borrowing now represents a major drag on earnings.

Its current developments include a 14,000 sq ft addition to an estate in Greenford (pre-let); 46,000 sq ft of industrial space in Isleworth (80 per cent let); redevelopment of 15 acres in Portsmouth; 57,000 sq ft of small industrial units in North Harbour Cosham; 250,000 sq ft on a 16 acre site at Leatherhead; and further office and retail units planned in Hounslow and Macclesfield.

Brixton, another leading industrial property company, is also heavily shrouded in take-over speculation. Its industrial side is considered less successful than Slough or Bilton and its efforts overseas have not been rewarding. Few doubt the ability of the group's management but wonder at its chances to break into new, adventurous developments.

Its Finsbury Square development in the City boosted net assets by more than 12 per cent last year and the management, and City analysts, are eagerly waiting to see if a similar coup can be staged soon. Business park developments of 250,000 sq ft are due for completion this year at Egham Heathrow and Regents Park Road.

Brixton realises that its image is critical to its survival and is intent on fostering a new aggressive appearance. Its fear and that of many other industrial groups, is that it may not survive long enough to implement it.

Arlington Securities is synonymous with business parks; therein lies the appeal and the danger.

It effectively created the business park concept in Britain in the early 1960s. By targeting UK subsidiaries of American multinationals, Arlington has given the client what it is used to: high-quality campus-style accommodation, similar or even superior to their property in the US.

The concept of shipping American property techniques across the Atlantic is not new. What is surprising is the early lead Arlington has built up in this field and the commanding position it is likely to enjoy for the next three to five years.

The formula has proved highly successful with institutional investors, lured by the blue-chip corporate names prepared to occupy large amounts of space.

A substantial land bank, pri-

marily in south-east England, has been built up with an emphasis on sites close to motorway junctions and prime commercial centres. This will guarantee a succession of developments well into the next decade. Arlington's high share price is out of step with much of the property sector because of this projected wealth of income over the next 10 years.

One city analyst suggests that 160p (compared with its current 210) would be a more realistic price because the group is not really an industrial developer but a more straightforward land developer.

Arlington has refined the business park formula but is still on a learning curve elsewhere. Its land bank is viewed in some quarters as a possible albatross if business park demand slumps and land values decline.

Paul Hamon

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<b>Light Industrial</b> Eaves height 21 ft. Brick and glazed walls lightweight roof. 35 per cent offices on two floors. One car space per 300 sq ft	33
<b>High Tech</b> Two-storey. Brick and glazed walls, lightweight roof. 11 ft ground floor, 7ft 6 ins first floor. One car space per 250 sq ft	44
<b>High Tech (air conditioned)</b> Two-storey. Brick and glazed walls, lightweight roof. 11 ft ground floor, 7ft 6 ins first floor. One car space per 250 sq ft	52

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Source: Gardiner and Theobald

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Design

# Cutting through the confusion

SINCE ITS earliest days, high-tech property has been the subject of confusion and misunderstanding based on very different ways of looking at it; it has also evolved—mostly for the better.

It began life, says architect Brian Waters, as an interior designer label, and then became the industrial developer's voguish label of the day—the equivalent of the residential neo-Georgian.

That early, highly superficial view resulted in unimpressive bright green corrugated sheds springing up, complete with studded rubber insides, tinted glass and "honest" services on the outside. But they often would not let.

Having fostered the jargon and the aesthetics, agents could not then deliver the tenants for what was a building type not obviously designed for any particular purpose.

Fortunately, the property market has caught up with itself and has largely come to realise that what high-tech is really about in terms of design is flexibility of use.

Mr Richard Mias, joint managing director of Beacontree Estates, certainly sees it these terms.

"In essence, it should offer the tenant space in such a form that it may be adapted for many alternative uses with the minimum of disruption or inconvenience," he says.

It must also have basic elements setting it apart from ordinary factories: raised floors, a high level of electrical installation with a stable and reliable power supply.

Mr John Ellis, a consultant, agrees on the need for flexibility and suggests a modular approach to the design of floors, ceilings and windows as well as partitions. In addition, the wire and cable management in the furniture must be compatible with that of the floor box outlets.

The choice of materials for fittings, fixtures and furnishings should be based on their anti-static and non-reflecting qualities.

It is important not to forget the human element, even down to the car parking requirements of managers who may reject a job offer unless they can park the BMW immediately outside their place of work. This can have significant impli-

cations in terms of landscaping and other amenities.

In these conservation-minded days it is also important to consider the potential of old and historic buildings in terms of conversion to modern industrial or other uses.

The building surveying division of Drivers Jones bases its refurbishment philosophy on bringing obsolete and obsolescent properties up to new construction standards frequently with the user remaining in occupation. The approach is to repair, strengthen and protect the existing structure from future corrosion, then renew the envelope.

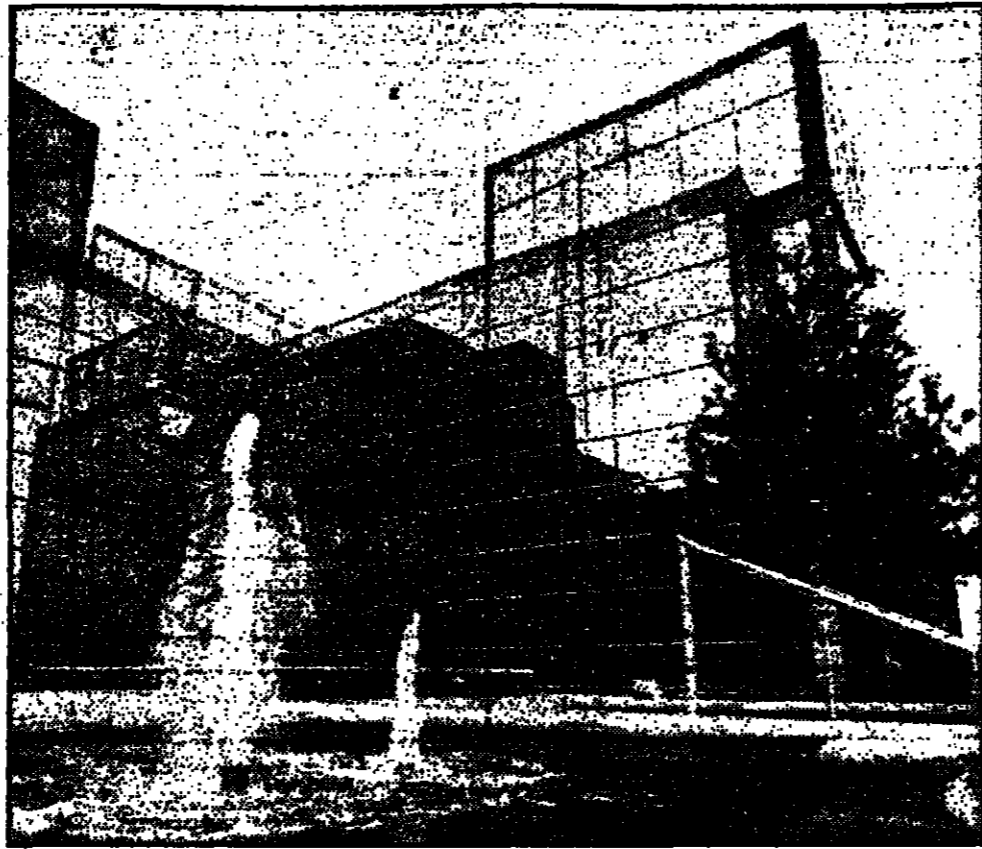
This is done by cladding roofs and walls with a new double skin, metal profiled sheetings incorporating high levels of thermal insulation and covered in low-maintenance durable coatings.

Windows are double-glazed and doors insulated. Then the interiors and services are modernised to the users' exact requirements. Drivers Jones estimate the cost of this work at £80 to £120 per sq metre (excluding services) compared with new build costs of £200 to £300 per sq metre. Although not without disruption, it is less than the case with relocation and there are also advantages in terms of planning and building controls.

When it comes to historic buildings, the problems become far more challenging because of the absence of suitable construction techniques. Steel Framing Systems, a company recently formed to manufacture under licence a range of lightweight load-bearing steel frames, believes it has an answer.

The main advantage claimed for the new system is that internal load-bearing walls and floors become homogenous and able to be easily modified, altered and replaced, unlike traditional timber studs which must be fixed. The combined live and dead loads are transmitted as distributed loads through all the sections and heavy point loading is eliminated, leading to foundation simplification.

Mira Bar Hillel



More office than industry: GRE's Cascades high-tech scheme in Bracknell

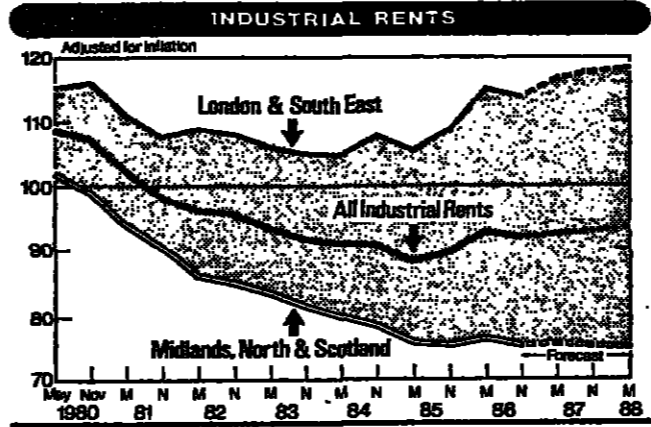
# Out of the grave

IF INDUSTRIAL landlords decide to adopt a patron saint, Lazarus should be an automatic choice after this year's revival in the market. Rent levels may not yet have floated clear of the grave dug by the recession, but they have at least struggled two arms and a leg out of the hole.

Real growth in returns are being seen for the first time this decade, and the signs are that rents will continue to rise over the next couple of years.

This will bounce them out of a slide which agents Hillier Parker say reached a low point early last year some 12 per cent below a base point measured in 1977. Provisional estimates by the agents show average levels are now some five points higher than that nadir.

Behind the recovery is the erosion of the massive surplus of industrial space that built up as the recession bit. Tenants are now having to pay more for the reasonable space that is left. They are not helped by the way new development dried up during the rental collapse.



This dearth of development means that even at low rates of economic expansion, industry will bring supply and demand further into balance and provide the pressure for real growth in rents, even in relatively depressed areas such as the bigger towns of the Midlands.

But it is in the economic power house of the south-east that the most substantial increases will continue. Mr Chris Kershaw, of St Quintin, points out that industrial rents in some centres could grow faster than returns on offices. Hillier Parker has predicted

a real increase of 1 to 2 per cent in south-east rents over the next two years and an overall performance that will match inflation. This will reverberate through the investment market, hardening yields and raising the values of some tired looking investments.

It could even draw institutions back into development of more traditional property, particularly as they are getting the fitters about the wisdom of delving into overheated high-tech prices.

David Lawson

High-tech

# Clouds of caution gather

CLOUDS OVER high technology developments have started to merge with the greyer shades of autumn. It has become clear that demand is not high enough to sustain a strong upwards movement in rents. Players in the game are much more cautious than a year ago.

This is a difficult area not least because of the problems of defining just what high-tech property is. The main factor is that the buildings are constructed to high standards—more like an office than a shed—and can be used flexibly, according to the needs of the occupant.

Generally they will have a high pure office content, often about 50 per cent, but basically they are places where a company can produce, display and administer. The buildings are likely to be in landscaped surroundings and they are usually amply provided with car parking—not perhaps as much as an office but more than for a solely industrial property.

The area in which high-tech developments are situated is likely to have good housing with access to leisure facilities in local towns. Workers are generally white collar.

The difficulty is that developers have been piling into this new market and there is evidence of over-supply.

It is not that the whole business is about to collapse, simply that it is not growing fast enough to keep up with previous heady expectations which pushed up land prices. And the phenomenon has been relatively narrowly based.

"There are fairly specific areas where speculative high technology development has taken place, especially around Bracknell, Slough, Crawley and Cambridge. There has not been a widespread impact," says Mr William Webb in a report by agents Fuller Peiser.

In spite of the activity of the past two years, there is only a small percentage of takers from the electronics sector for high technology developments, added Mr Paul Winter of Godard and Smith.

"Land values have been running ahead of achievable rental performance. Something has to give somewhere," says Sir Nigel Mobbs, chairman of Slough Estates, which at the beginning of this year had 1.8m sq ft of largely industrial property under construction.

As an indication of how the land values have been moving up, Mr Winter recalled that two years ago Godard and Smith bought industrial land at £400,000 an acre in the Reading area. Recently Reading Council offered land to the company at £250,000 an acre.

What seems to be giving way are the land values, as rents stabilise. Fuller Peiser noted that land prices had begun to approach and even go above 5m an acre in the prime locations with investment yields below under 7 per cent. Mr Webb now believes that this will start to fall off.

"Due to the recent site acquisition activity, we believe that high-tech land values will stabilise and, unless in prime locations, fall from previously high levels as financial institutions take a more cautious approach to speculative development for the coming year."

The reasons are not hard to find. The amount of space on the market is such that rental returns are being depressed, making them less attractive than, for example, in retail property. In the favoured Thames Valley, for instance, agent Campbell Gordon shows that for units with 50 per cent or more of office accommodation, the take-up in the first half of the year was 1.564m sq ft. But the supply, running through to the end of next year, is calculated at more than 4.5m sq ft—around three times recent take-up levels.

"Two years ago the supply of such space was limited, and the increase in supply is due to the market responding to demand—remember, rents have jumped," says Mr Ian Campbell.

But the argument about over-supply cannot be pushed too far, in the view of Mr Webb. "There are a number of developments inappropriately located which will undoubtedly prove difficult to let, buoyant market or otherwise," he says.

"These buildings are catering for a specialist and unique demand sector and the buildings are often not merely treated as production units but also as places, to project a corporate image."

And there are going to be difficulties in letting high-tech buildings where they are "in-fill developments," says Mr Roger Carey, development director of Slough Estates. It

is the corporate image point again. In these cases, he said, "the aesthetics are wrong."

Rental levels are tricky to make judgments about, as like cannot often be compared with like. But it seems to be accepted that the £9.70 a sq ft paid by Hewlett Packard for space on the London & Edinburgh Trust development at Waterside Park, Bracknell, is a sort of benchmark.

But it has not done much for the confidence of the market that Hewlett Packard has suspended fitting out the property, even though that probably has more to do with commercial conditions in the US than anything else.

Although Grosvenor Properties hopes to let a new development at Randall's Research Park, Leatherhead, at £10 per sq ft when completed in February, other recent lettings have been less than the Waterside Park level.

At Manor Royal, Crawley, the asking rent for a London & Metropolitan Estates development has been £8.50. At Sunbury Cross Centre, Telesp Information Systems is paying £7.50 a sq ft for Sunrise I, a Sheraton Securities development. Rents of about £9 a sq ft have been obtained by Beacontree Estates and Edger Investments for properties at Bracknell and near Heathrow Airport.

On average, according to Fuller Peiser, rental growth this year has been less than 10 per cent, compared with 14 per cent in 1985, and is likely to slow further until the supply of buildings on the market subsides.

The key thing for the immediate future is location. "The letting market has been reasonably good for those developments correctly located," observed Herring Son and Daw. There seems no reason to suppose that the M25 and its radial motorways, especially the M4 and M3, will lose in the near future their favoured status.

The south-east will remain the dominant area, it seems, in spite of developments in Scotland and in northern centres like Telford, where Brighouse Brick and Mountleigh have just completed Telespaco Development.

Paul Cheeswright

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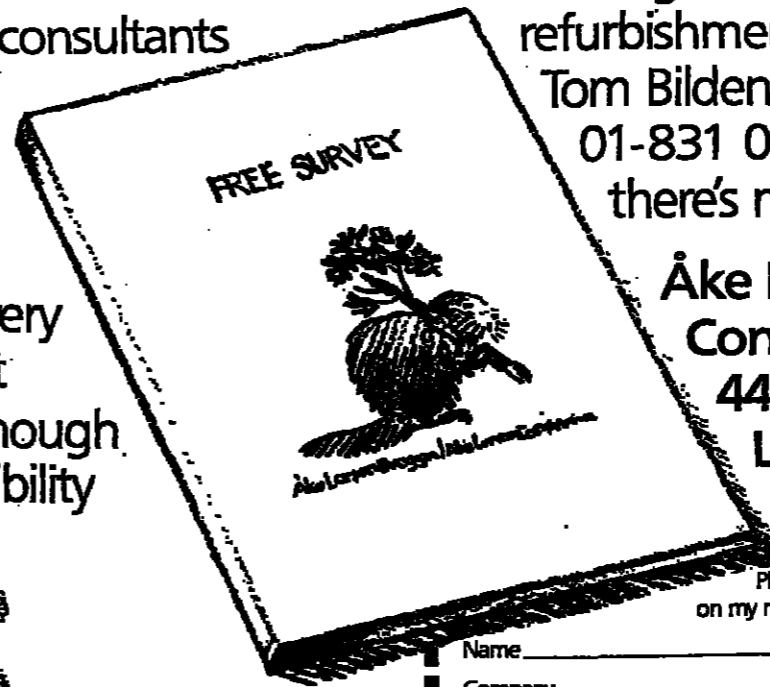
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MANAGEMENT

Cornish tin

# How crisis reshaped a mining strategy

BY STEFAN WAGSTYL

ONE THOUSAND feet underground miners with rock drills are trying to carve out a future for the Cornish tin industry. The bits scream as they bite into the granite to create the shafts and tunnels needed for the 1990s.

This work at the two surviving mines in the far south-west corner of England is the 2,000-year-old industry's last chance. Backed by government aid, Wheal Jane and South Crofty mines, run by a subsidiary of Rio Tinto-Zinc, the international mining, energy and industrial group, have to make profits when the investment programme is complete—or shut down.

Brian Calver, the managing director, says bluntly that all he has won is a breathing space. But for government aid the two mines would have closed this summer after tin prices plunged in the wake of the tin market crisis.

At the heart of his programme lies a significant development in mine management, which has been central to the base metals industry in the 1980s. Put simply, a combination of low real metal prices and high real interest rates has forced many companies to give far less consideration than before to long-term asset growth and far more to short-term profitability and cash flow.

A similar change in direction has been forced on the oil industry in the past year. And there are parallels in other industries where the management of capital assets is important, notably in property.

Mining engineers have long been schooled in putting a high priority on the long life of a mine so that it may typically be operated profitably for 30 or more years. Conventional wisdom has been to combine productive mining of ore with the continuous development of new parts of an ore-body which may not be mined for several years.

Managers have also been trained not to "high-grade" a deposit—that is pick out the best ore, leaving lower-grade metal-bearing material in the ground. Instead, they have

been urged to mine high- and low-grade ore together so that the mine-life is not cut short.

This tendency to think long-term was reinforced in the 1970s by inflation which encouraged companies to invest in assets in the ground—by developing new mines or extending existing ones—rather than exploit them rapidly to earn fast-depreciating cash.

In the 1980s, falling base metal prices and high real interest rates have forced mining companies to change tack, in order to survive. In base metals the financial pressures prompting change have grown steadily as prices slipped from their 1980 peaks. In tin they were held back by the price increases that followed the national Tin Council—until its demise in October 1985.

## Investment

Calver, a tough-talking mining engineer in his early 40s who started his career in Africa, says: "We have been used to maximising asset values in this industry. Perhaps we need to think more about profits and cash flow."

At some base metal mines, companies have been forced to cut all investment spending in order to survive—in effect cutting short the life of the mine. At others, investment has become far more cost-conscious than before with mining companies setting great store by short-term improvements in profitability—most obviously cutting labour costs by increasing mechanisation.

At Carnon, Calver has been treading a difficult path ever since tin prices collapsed in the wake of the tin council's default last year. As prices fell from over £8,500 to under £4,000 a tonne, Carnon plunged into loss and RTZ wrote off its entire investment in the company—£25m. Geovor Tin Mines, the only other Cornish mining group, closed down.

With Carnon at the brink the UK Government agreed to back a £25m cost-cutting investment programme with a £15m interest-free loan and a guaran-

tee on a further £10m borrowed at commercial rates. For its part, RTZ agreed to invest a further £10m to £15m.

Calver's job is to make the best use of these funds. He insists that although investment will now be made with a shorter time-horizon than before there is no question of "ripping the guts out of the mines". Indeed an important part of the programme—and a sine qua non of government support—is investment in the future to 1990 and beyond. But Calver says the whole approach is much more conscious of short-term cost than it was last year when tin was trading at £9,000 a tonne.

The practical results of this thinking at Carnon fall into three stages.

Immediately after prices slumped last October, Calver closed Fendurves and Wheal Maid—two mines in the group which were being mined for development purposes only.

"We were planning for 20 to 25 years ahead," says Calver. "It made no sense after October [1985]."

At the same time output at the two production mines—Wheal Jane and South Crofty—was stepped up in order to cut unit costs and staunch losses. The average grade of ore brought to the surface was increased by leaving some low-grade material in the ground.

The workforce agreed to wage freezes for 1985 and 1986. Suppliers were persuaded to forgo price increases. Carnon's cost of production dived from £8,700 a tonne in late 1985 to £6,400 a tonne in June 1986.

Some of the savings could not have been sustained for more than a few months. But the effort was enough to convince RTZ headquarters and the Department of Trade and Industry to back the company's long-term modernisation plan which is intended to bring costs down to £5,500 a tonne and to keep them there. Calver started work straight away.

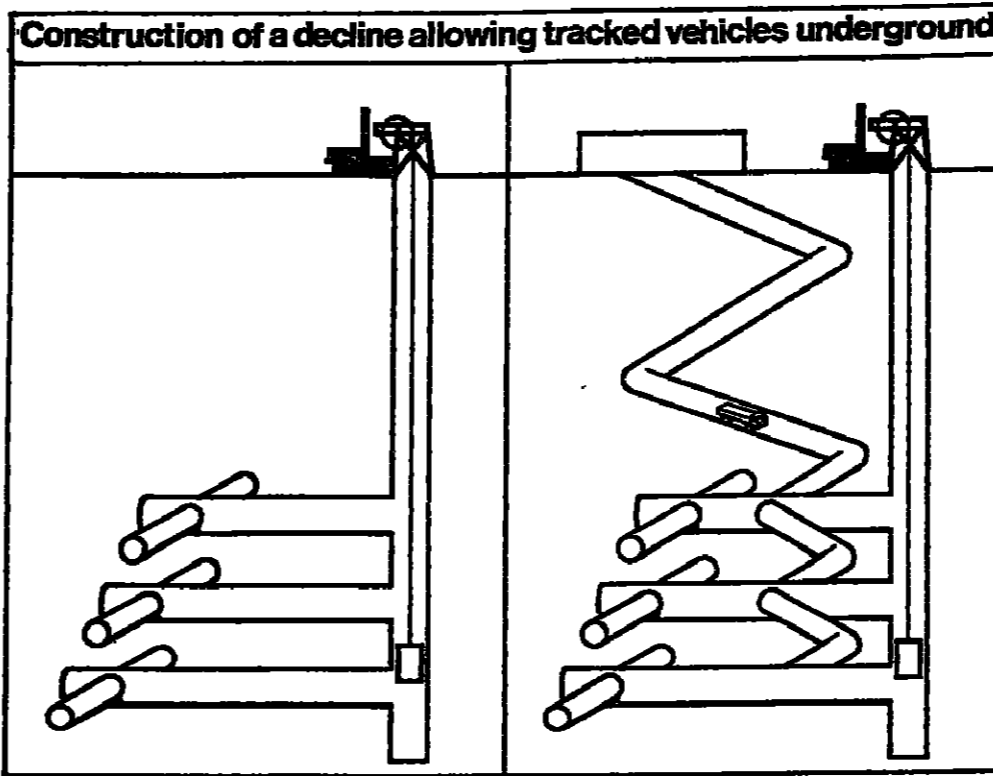
Production was cut back by temporarily closing most of the antiquated processing plant at South Crofty, reducing output at both mines and sending all the ore through the modern

processing plant at Wheal Jane. By running at below capacity the company has minimised losses at a time when tin prices continue to stay below production costs.

The labour force was cut from 1,100 to 680, starting from the most senior managers. Calver says he began at the top to prove to the workforce that there was no alternative. Most of the cuts were achieved by reducing output, but other jobs were lost by curtailing geological and development work.

The capital investment programme was largely drawn up in-house by Calver and his senior managers, with help from RTZ technical teams, which advise on group projects throughout the world. The biggest investments are being made at South Crofty, which has richer ore reserves than Wheal Jane but is in dire need of modernisation to improve safety standards as well as efficiency. In the main shaft, equipment dating back 50 years is being stripped out and replaced at a cost of £3.5m. Wooden supports are being replaced by modern steel and concrete.

Carnon is building a decline—that is a roadway for tracked vehicles—from the surface to the bottom of the mine. This will permit the mechanisation of South Crofty, by allowing underground modern wheeled drilling, digging and hauling equipment which is too big to go



Modernisation is taking place at Carnon's South Crofty mine whereby tracked vehicles can negotiate a "decline" from the surface to the bottom of the mine. Previously the only access for such equipment was the vertical lift shaft—which was not big enough to take it

down a traditional vertical lift shaft. Wheal Jane is already largely mechanised.

Cost-cutting equipment is to be installed on both mines—for example, large water pumping stations, which will work mainly at night making use of cheap-rate electricity, will replace the smaller pumps currently fitted.

New parts of the ore-bodies at both mines are to be opened for mining by extending shafts and tunnels, particularly at South Crofty.

## New jobs

Finally, once the underground development is complete, the South Crofty processing plant is to be modernised and reopened. This would allow production to be increased from about 3,000 tonnes a year during the modernisation programme to a maximum of 5,700 tonnes. At that point some new jobs would be created.

Calver says a central element of the plan is flexibility. The distribution of ore in both mines—particularly at South Crofty—is sufficiently rich and varied for the company to change rates of production and grade according to circumstances. For example, if tin prices suddenly and unexpectedly recovered, output could be increased earlier than planned. Conversely, if prices stayed low after 1988, the company could

delay (or even forgo) the modernisation of the South Crofty processing plant.

Calver concedes that even with government aid there is no guarantee of success. The risks were high enough for RTZ to refuse to fund the programme itself. Everything depends on whether the company's forecasts of a steady increase in tin prices to about £5,500 a tonne by 1988 and £7,000 a tonne in the mid-1990s turn out to be right.

At £5,500 a tonne production costs would probably be at around the average for Western world tin producers, who ranged between £3,000 and over £10,000 a tonne before the tin crisis broke.

However, as Calver is only too well aware, other producers are also busy cutting costs. While some mines have been forced to close down by the fall in prices others, like Carnon, are determined to hold out in the belief that prices will eventually rise because of the shortage of tin reserves. Calver says that the market is being consumed. Moreover some of these companies, again like Carnon, have won government aid to help them survive.

It seems likely that at the end of the day Carnon will still find itself among the world's highest-cost tin producers. Calver says: "We are taking a chance. You tell me what the tin price is going to be and I'll tell you if we'll succeed."

# Japanese alliances: in search of reality

BY CHRISTOPHER LORENZ

TELEVISION VIEWERS in the south-east of England were last night treated to a world "first": a direct confrontation between the two opposing schools of thought about whether the rampant fashion for collaboration with Japan is helping or harming the health of western companies.

In one corner was Kenichi Ohmae, the suave Japanese management consultant whose book "Triad Power" has done most to propagate the reassuring doctrine that western and Japanese companies can no longer survive on their own, but must co-operate with each other to their mutual and long-lasting benefit.

Across the ring arguing the case for extreme caution was pugacious Gary Hamel, the London Business School academic whose researches with Yves Doz of the Insead management school and C. K. Prahalad of the University of Michigan have concluded that many alliances are being used by Japanese companies to annex the skills of their western partners, and to reduce their competitiveness (see this page, October 17).

The contest was organised by Thames TV as part of its continuing Thursday night series on "The Business of Excellence," which is bringing a stream of international management gurus to Britain's screens to debate their ideas with home-grown businesspeople.

Hamel's case was simply put: that many of today's alliances between western and Japanese companies are less complementary and beneficial (to the west) than they look. Most western companies get into collaboration with Japan only out of weakness, while many (if not most) of their stronger Japanese partners are using the relationship to extract the western company's core skills. Such deals are not just collaboration, but competing collaboration, Hamel insisted. Western companies must learn how to do things the Japanese way, and extract valuable skills from their partners rather than giving them away.

Ohmae firmly rejected the argument that Japanese companies are using western alliances in this way, as a stepping stone to still greater heights. Some collaborations in accord with Hamel's thesis, he admitted, in what appeared a significant concession from the arch-advocate of international business brotherhood. But he immediately countered with the allegation that Hamel was basing his case on a few isolated examples; this was just as unfair and misleading, he explained, as arguing that because one nuclear reactor was dangerous, all of them must be.

Given each side's lack of time to present a comprehensive set of research data which would determine which view is correct, it was inevitable that the TV contest would end in a draw, but it did help to clarify several key aspects of this important debate.

By pointing out that collaborations are always difficult to manage to one's advantage whether one's partner is European, American or Japanese, Peter Bousfield, the chairman of Britain's computer industry federation, ICL, underlined what Hamel, Doz and Prahalad have themselves tried to make crystal clear: that there is nothing self-evident about their arguments.

It is self-evident that in any partnership between competitors, issues of relative power and advantage are unavoidable. If Japanese partners are gaining the upper hand in many alliances with the west, it is not through any devious means, but via the superior receptivity of their organisations and—by contrast—the difficulty many western companies experience in learning from the Japanese partner, and applying these lessons in practice.

In other words Hamel and Co are not criticising the skills of some companies (mainly Japanese) in using partnerships to their advantage, but the safety with which many others (mainly western) approach such alliances.

The TV debate also emphasised the point that not every western-Japanese partnership is competitive. Some, where the partners' skills and strategies are purely complementary and likely to remain so, are far less controversial. One case in point (not mentioned on the programme) is the collaboration between Japan's Bridgestone tyre with Bekaert, a Belgian steel cord company.

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Mr Sam Cross of the New York Federal Reserve Bank and Mr Blaine Tomlinson of Nomura International are among the other speakers.

Commercial Banking features on December 11 and Mr Bill Rhodes of Citibank, Sir Campbell Adamson of Abbey National, Mr Norman Robertson of Mellon Bank and Mr James McDermott of Keefe, Bruyette & Woods are among the speakers. Delegates may enrol for the whole of the conference or select from among its constituent days.

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# US BREWING INDUSTRY

William Hall on the sleek performance of the world's biggest brewer

## Budweiser goes from strength to strength

**MOST DAYS** of the week August Busch III, the 48-year-old chief executive of the world's biggest brewer, turns up for work at the family's giant brewery in St. Louis, Missouri, just like his father, grandfather and great grandfather did before him.

Trained as a brewer in Germany, Mr. Busch, or "Little Augie" as he is sometimes known, still takes his personal tasting of the product of his 11 breweries as seriously as his forebears and outwardly differs from them only in that he flies his own helicopter to work and lands on top of his office at 1 Busch Place.

It is more than a century since the company brewed its first barrel of Budweiser—America's most popular beer—and the company still insists on following the exact instructions laid down by Adolphus Busch, the company's founder. "We know of no brand produced by any other brewer which costs so much to brew and age. Our exclusive Beechwood ageing produces a taste, a smoothness and a drinkability you will find in no other beer at any price," boasts the Budweiser label.

It is a statement that the current Anheuser-Busch management team takes just as seriously as Adolphus Busch did. Indeed, a first time visitor to Anheuser-Busch's headquarters in St. Louis could be forgiven for mistaking the company for a rather paternalistic, old-fashioned brewer which had failed to move with the times. Mr. August Busch's 87-year-old father, who is rather confusingly called August Busch jr. or "Gussie," has retired from the day to day business but still retains the title of honorary chairman and takes a close interest in the company-owned baseball team, the St. Louis Cardinals, which plays at Busch Stadium.

The original St. Louis Brewery, complete with German brewers and lots of Germanic eagles, still produces beer the old-fashioned way. The company owns a 100-year-old railroad and takes great pride in its famous Clydesdale horses which it brought to celebrate the repeal of prohibition in 1933.

However, Anheuser-Busch's love affair with its past should not be allowed to disguise the fact that the group is a sleek money making machine which takes as much care about its financial performance as it does about its famous beers.

Twenty-five years ago the company had 81 per cent of the US market and was facing stiff competition from companies like Stroh and Schlitz, which produced nearly as much beer. By the late 1970s it had increased its market share to around 25 per cent and by the early 1980s its share was up to a third and the company set itself the target of increasing the share to 40 per cent.

This year, Anheuser-Busch expects to sell over 71m barrels of beer giving it 38 per cent of the market and the target has now been upped to a 50 per cent market share sometime in the 1990s. The company already has more than 50 per cent of some important markets like California and is quietly con-



### ANHEUSER-BUSCH COMPANIES

DECADE OF GROWTH				
	Output Barrels m	Sales \$bn	Net income \$m	Return on equity %
1975	35.2	1.6	84.7	15.6
1976	29.1	1.4	55.4	12.1
1977	26.6	1.8	91.9	14.4
1978	41.4	2.1	184.0	16.1
1979	44.2	2.8	194.4	16.9
1980	50.2	3.3	171.8	17.8
1981	54.5	3.8	217.4	19.3
1982	59.1	4.6	227.3	19.9
1983	65.5	6.0	346.0	18.0
1984	64.0	4.5	391.5	18.2
1985	68.0	7.0	443.7	18.9
1986 (est)	71.0	7.5	484.0	na
1987 (est)	74.0	8.2	558.0	na

Source: Company statistics and forecasts by Oppenheimer & Co.

ANHEUSER-BUSCH AND THE COMPETITION				
	1960	1970	1986	Average growth in 1980s
Anheuser	6.5	22.2	71.0	6.1
Stroh/Schlitz	7.8	18.4	23.1	1.5
Miller	7.4	5.2	37.4	0.2
Heflman	5.5	7.8	16.0	3.2
Coors	1.9	7.3	15.1	1.6
Others	62.4	63.5	15.7	-14.8
Imports	0.9	0.9	1.8	11.5
Total	88.8	125.3	188.1	6.6

Source: Anheuser-Busch

ident that it will achieve its ambitious aim.

Such forecasts from lesser companies might be treated with scorn but given Anheuser-Busch's track record it has to be taken seriously. During a period when US beer consumption has been stagnating, Anheuser-Busch has been posting solid volume gains and is adding new capacity at a time when some of its competitors are mothballing new capacity.

When a new 8m barrel brewery in Fort Collins, Colorado, comes on stream in 1988, Anheuser-Busch will be able to produce 80m barrels of beer a year. To put this figure in perspective, Anheuser-Busch calculates that world beer consumption in 1984 totalled 492.8m barrels.

### ANHEUSER-BUSCH'S MAIN BRANDS

Brand	Volume % growth % total
Budweiser	28-30
Budweiser Light	5
Michelob	13
Michelob Light	10
Beck's	16
Natural Light	10
Total	7.3

Source: Prudential-Bache Securities estimates

Anheuser-Busch's 1986 production of 71m barrels exceeds that of the total industry in every country except West Germany and sales of Budweiser — the most popular of its nine brands — exceed Japan's total beer consumption and the output of every other brewer in the world.

The company's success is particularly unusual in that it is based on the continuing growth of one product — its 110-year-old Budweiser brand — which explains why its ticker symbol on the New York Stock Exchange is **BUD**. Anheuser-Busch estimates that the Budweiser brand accounts for 60

per cent of its beer production, and despite the maturity of the product sales are still growing at a healthy 4 per cent a year.

Four years ago, the company bowed to the demand from health conscious Americans for a lower calorie beer and introduced Bud Light, which has 25 per cent less calories than its parent. Sales of Bud Light are growing rapidly and together the two Budweiser brands account for around two-thirds of the group's beer volume.

Anheuser-Busch is steadily moving into overseas beer markets, but has so far limited itself to joint ventures and licensing agreements. Its expansion in Continental Europe is hindered by problems over the use of the Budweiser name and, while its beers are doing well in the UK and Japan, the international operators will not make a significant contribution to its bottom line without a major acquisition.

The company tried to buy a Hong Kong brewer recently and it has been mentioned as a possible bidder for UK brewers. But it makes a compelling case that the prices being asked are far too high, given its strict financial criteria.

The company spends heavily on its marketing — not only in total but also on most of its brands — and the average Anheuser-Busch distributor handles more than twice the volume of other wholesalers in the industry. The company lavishes a lot of attention on its wholesalers and does not, for example, short circuit them by dealing direct with national retailing chains. It is very choosy about its wholesalers, many of whom can thank the company for making them millionaires. Anheuser-Busch likes small family businesses rather than big corporations and loyalty to its products is amply rewarded. Anheuser-Busch strategy has paid off handsomely for



August Busch III, taking his beer seriously

shareholders. Its annual report notes that during the first five years of the decade its return on equity was 19 per cent and its compounded average annual return on an investment in the group's stock price appreciation plus dividends was 39 per cent. This compares with a 15 per cent return on the Standard & Poor's 500 index. In the first nine months of this year it boosted earnings per share by 13.8 per cent and the dividends were recently increased by 20 per cent.

Among Wall Street analysts, Anheuser-Busch is a firm favourite. Mr George Thompson, an analyst with Prudential-Bache Securities, describes the company as "the single best fundamental story in the beverage and tobacco area," and Mr Jerry Steinman, editor of Beer Marketing Insights, notes that the group's strong wholesalers and well established brands are backed by "superb management." The company's shares were listed on the London Stock Exchange last month. Part of the reason why Wall Street is so enamoured of

Anheuser-Busch is its ability to achieve its ambitious targets. Mr Jerry Ritter, the chief financial officer and one of Mr August Busch's key lieutenants, says the objective is to increase earnings by between 8 per cent and 12 per cent above the rate of inflation, and to continue to raise the return on capital employed from last year's 11.7 per cent.

The steady rise in the minimum drinking age laws in the US and tougher drunk driving laws have all been blamed for the slowdown in beer consumption from the 3 1/2 per cent per year which was the norm in the 1960s and 1970s, to virtually zero growth in the 1980s. But the major effect of these moves has already been felt in the US beer market and analysts expect consumption to begin accelerating again. The steady drift away from hard liquors is also helping beer sales.

However, despite the company's impressive financial record and ambitious objectives, the company has still not resolved one of the problems which comes with success. Anheuser-Busch is throwing off around \$1bn a year in cash and as the capital spending on the Fort Collins brewery falls off next year, the company will have to make some fundamental decisions on what it plans to do with its surplus cash. There were even rumours a year ago that it might be a takeover target.

Anheuser-Busch is already conservatively geared. Its debt to total debt plus equity ratio has fallen from around 43 per cent in 1981-82 to 25.9 per cent last year. The company has a number of options. It can buy back some of its shares, increase the dividend, reinvest it in the business or diversify. Its expansion into the \$8bn a year snack foods subsidiary, is showing promise but other attempts to diversify out of the beer business over the years have not been particularly successful.

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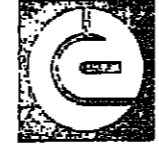
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# THE CHANNEL TUNNEL

## Paul Betts on the business challenges confronting the big French bank

### Indosuez faces Eurotunnel test

BANQUE INDOSUEZ faces two critical challenges with next summer's Eurotunnel equity placing, and its own privatisation, says Mr Antoine Jeancourt-Galignani, chief executive.

Indosuez is the leading French bank for Eurotunnel's proposed next summer, or equity 3 as it is known in the jargon of the Channel tunnel promoters. Mr Jeancourt-Galignani acknowledges that Indosuez "is taking a risk" and also admits that equity 3 is "a big problem" for the bank, although it is also a key aspect of the bank's strategy to develop its presence in large scale international asset financing.

The internationally orientated bank which is owned by the Suez financial group, has always had close links with the Channel project. Indeed, after the Banque de Suez was created with compensation from the nationalisation of the Compagnie du Canal de Suez in 1967, the Suez group has always wanted to be involved in a major international civil engineering project like a fixed-link across the Channel.

Indosuez was the main French bank in charge of the recently completed £206m international share placing, or equity 2. Mr Jeancourt-Galignani readily admits that it was not the triumph hoped for by the tunnel promoters last summer, but it nonetheless was what he calls "a reasonable success."

"Everybody thought last summer it was going to be easy, and the marketing effort to promote the project was relaxed," he explains. In the end, the placing turned into a nail-biting affair for the promoters who found it much harder than they expected to persuade investment institutions to support their cause.

However, the marketing errors of equity 2 are unlikely to be repeated for the much larger public fund raising next summer. The Channel tunnel consortium is putting in place a much stronger full-time team to manage the project. Indosuez itself will have as many as seven to 10 bankers fully employed on the next placing, says Mr Jeancourt-Galignani.

However, there remain several important hurdles to be overcome. The first is the political risk factor still attached to the project as long as the Channel Tunnel treaty is not ratified by the British Parliament. The scheme's promoters expect the Treaty to be ratified before the next equity issue is launched. But some of the French partners in the scheme fear that the timetable of ratifications could clearly be seriously undermined if Mrs Thatcher's decision to call an early election in the spring.

The other big issue for the French side is the future of the "train a grande vitesse" (TGV) high-speed train link for the tunnel to connect Paris and London directly. Mr Jeancourt-Galignani says it is crucial for the French Government to give its go-ahead for the construction of the new high-speed train link which, according to the French promoters, would increase the profitability of the Channel tunnel by 6-7 per cent.

A third problem involves the geological risks of the project. "The chances that the terrain will be good appear strong. But there is never any absolute certainty," remarks the Indosuez chief executive. However, he believes that if the Treaty is ratified in time, that work starts on the project soon, and no major geological disasters crop up during construction, the pro-



Antoine Jeancourt-Galignani taking a risk

ject will be a commercial success.

The other challenge for Indosuez in the next few months is much closer to home. Mr Jeancourt-Galignani is keen to see Indosuez and the Suez group privatised as soon as possible.

Suez and Indosuez were both bitterly disappointed that the Suez group was not chosen in the first batch of privatisation by the conservative government instead of their arch-rival Paribas alongside Saint-Gobain and the AGF insurance group.

Mr Jeancourt-Galignani claims that Suez would suffer a serious competitive disadvantage vis-a-vis Paribas if it is not to go public soon after its rival. "It would become a handicap if our privatisation were not to be announced at the beginning of next year," he says, suggesting that already there are signs that Paribas is taking advantage of its imminent nota-

tion in its old rivalry with Suez. After the first three big privatisations of Saint-Gobain, Paribas and AGF and of EP-1, the state television network, of Havas, the state-controlled advertising and media group, and of CCEP, the troubled aerospace group, the government has been taken over by a major international telecommunications concern, Suez hopes to be privatised in the second half of next year.

The French finance and economy ministry is expected to announce the second batch of privatisation around February 15. The programme, which is also likely to include Compagnie Generale d'Electricite (CGE), would be launched in the second half of next year. Although the government has been considering the possibility of including one of the big three French commercial banks - Banque National de Paris, Credit Lyonnais and Societe Generale - Mr Jeancourt-Galignani argues that there is no pressing reason to include one of the old nationalised banks at this stage, rather than Suez which is in a better position to be placed on the same competitive footing as Paribas.

However, Mr Jean-Thomas Leveque, the new chairman of Credit Lyonnais and one of the most ardent campaigners against the former Socialist administration's privatisation policies, has been lobbying hard for the early privatisation of his bank.

In the meantime, Indosuez, which recently reported first-half profits of FF1,607m (£82.5m) is closely involved in the flotation of two of the first three big state groups chosen by the Government. It is the third bank for Saint-Gobain and is also co-lead with Societe Generale for AGF privatisation.

### BMW sees good result

BY OUR FINANCIAL STAFF

BMW, the West German motor group, expects satisfactory results in 1986, with car production and sales both likely to be slightly higher than a year earlier.

Nine-month turnover in January-September rose 4.5 per cent to DM 10.85bn (£5.4bn), with car output down slightly at 324,800 cars after 325,700 a year earlier despite full capacity operation at BMW's plants. The slight decline in production was due to a revamping of

production lines to accommodate output of BMW's up-dated "seven series" automobile, which went on sale in the autumn. The new seven series would not make any significant contribution to turnover and profit this year.

Registrations of new BMW cars abroad rose 5 per cent to 233,000 in the nine months. US sales were up 7 per cent at 71,000.

The largest increase in BMW's foreign sales came in Japan.

### Conti Illi returns to London

BY DAVID LASCELLES, BANKING CORRESPONDENT

CONTINENTAL ILLINOIS, the Chicago bank which had to be rescued by the US Government two years ago, is to re-establish its London-based merchant bank.

The new company, Continental Illinois Limited (CIL), will have capital of \$25m and will engage in a selected range of financial services, mainly in capital markets, leasing and trade finance.

Mr William Goodyear, managing director of CIL, said yesterday that "merchant banking is a very difficult proposition in London if you want to be profitable," and because of this the bank would focus only on areas where it could make money.

These include swaps, interest rate products, international cross-border leasing, debt swaps and underwriting of short term floating rate securities.

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THIS IS A NOTICE that is given pursuant to the indenture, dated as of February 15, 1973 (the "Indenture"), between Sperry Rand Corporation, a Delaware corporation ("Sperry"), and Chemical Bank, a New York corporation, as Trustee (the "Trustee"), regarding the 4 1/2% Convertible Subordinated Debentures due 1988 issued under the Indenture (the "Debentures"). Sperry, the Trustee, and Burroughs Corporation ("Burroughs") executed a Supplemental Indenture dated as of November 12, 1986 in which Burroughs expressly assumed the due and punctual payment of the principal of and interest on all Debentures, according to their terms, and the due and punctual performance of all of the covenants and conditions of the Indenture to be performed by Sperry. On November 13, 1986, Burroughs changed its name to Unisys Corporation. UNISYS CORPORATION  
November 21, 1986

#### STB ENGINEERING LIMITED

At an Extraordinary General Meeting of the above-named Company, duly convened and held at Towerfoot Road, Brimcombe, Stroud, Glos., on 14 November 1986, the following special resolution was duly passed: That the Company authorise itself to purchase £5,000 ordinary shares by paying an amount of £150,000 out of the capital reserves of the Company. The Directors' statutory declaration and the auditors' report are available for inspection at the Company's registered office. Any creditor of the Company may, within 5 weeks of the resolution apply to the court under Section 178 Companies Act 1985 for an order prohibiting the payment. M. G. BALLINGER, Director.

### Art Galleries

LEICESTER, 13, Old Bond St. ANNUAL WATER-COLOURED EXHIBITION, Mon-Fri, 9.30-5.30. Tel: 01-533 3818.  
LUSLEY CAZALEY, 24, Colville St., W1. Exhibition of Water Colours, 21-23 Dec. Original Prints £20-£500. Until 24 Dec. 1986. Tel: 01-491 4211.  
GALLERIES, 201, Duke Street, E.C.2. Exhibition of Water Colours, 21-23 Dec. Original Prints £20-£500. Tel: 01-491 4211.  
RICHARD GREEN, 44, Dover Street, W1. Exhibition of Water Colours, 21-23 Dec. Original Prints £20-£500. Tel: 01-491 4211.  
WILSON GALLERIES, 200, Water Colours, 21-23 Dec. Original Prints £20-£500. Tel: 01-491 4211.

### Clubs

SVS has notified the other because of a change in the name of the club and the name of the club is now SVS. Tel: 01-724 0357.

### CLASSIFIED ADVERTISEMENT RATES

Table with columns for advertisement type and rates. Includes Commercial & Industrial Property, Residential Property, Appointments, Business Investment Opportunities, Business for Sale/Wanted, Personal, etc.

**Elders N.V.**  
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11 1/2% per cent.  
Guaranteed Convertible Bonds due 1994

unconditionally guaranteed by, with non-detachable conversion bonds issued by, and with conversion rights into Ordinary Shares of

**Elders IXL Limited**  
Adjustment of Conversion Price

NOTICE is hereby given that following a bonus issue of Ordinary Shares made by Elders IXL Limited at the rate of one share for every three shares held the Conversion Price of the Conversion Bonds has, in accordance with the Trust Deed dated 28th June, 1984 (and as amended by a supplemental Trust Deed dated 4th June 1985), been adjusted from Australian dollars 2.54 to Australian dollars 1.51 with effect from 14th November, 1986.

November, 1986 Swiss Bank Corporation Principal Paying Agent

#### NOTICE OF REDEMPTION



European Investment Bank  
ECLU25,000,000  
10% 1984/99 Bonds

Pursuant to the Terms and Conditions of the Bonds, EIB is hereby notified that the principal amount of ECU 25,000,000 of the Bonds is due for redemption on January 5, 1987, in accordance with the provisions of the Trust Deed. The amount to be paid is ECU 25,000,000 plus interest accrued to the date of redemption.

#### NOTICE OF PURCHASE



European Investment Bank  
Italian Lire 100,000,000,000.00  
DUE OCTOBER 21, 1986

NOTICE IS HEREBY GIVEN to bondholders that during the six-month period ending October 21, 1986, L. 4,500,000,000.00 have been purchased. The purchase price is Lire 4,500,000,000.00 plus interest accrued to the date of purchase. The amount to be paid is Lire 4,500,000,000.00 plus interest accrued to the date of purchase.

#### PERSONAL

What ever your opinion - get your facts right!  
**WHITAKER'S ALMANACK 1987**  
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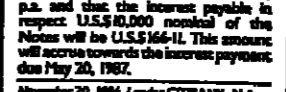
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Telex: 887732 Facsimile: 01 256 8328  
Jones Lang Wootton  
Kent House, Telegraph Street  
Moorgate, London EC2R 7AL  
Telephone: (01) 638 6040  
Telex: 888557 Facsimile: 01 6380 241

**Richard Ellis**

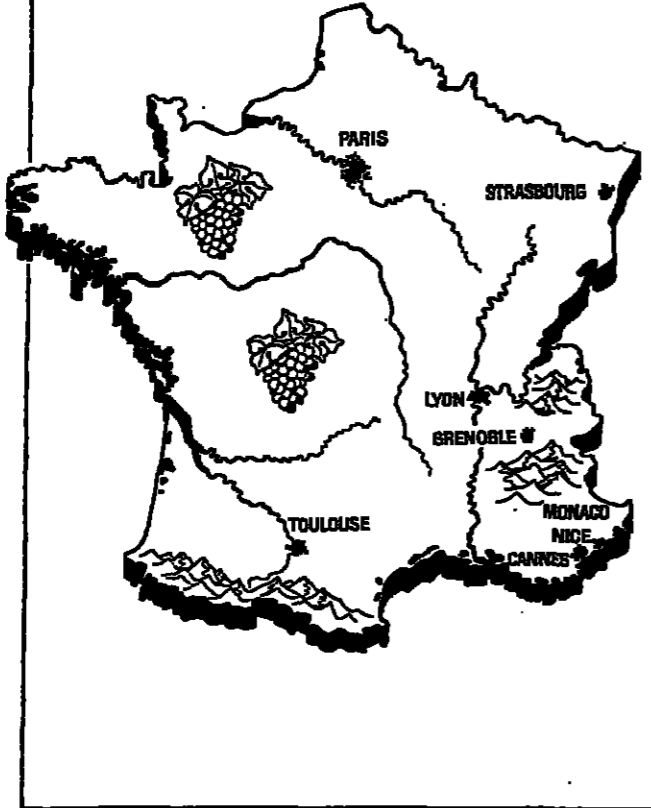
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London House, 214 St. George's Terrace  
Perth Western Australia 6000  
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Arts Week

Table with 7 columns: F, S, Su, M, Tu, W, Th and 7 rows of dates from 21 to 27.

Exhibitions

BRUSSELS

Ingres and Delacroix - Drawings and Watercolours - Palais des Beaux Arts. Ends Dec 21.

SPAIN

Madrid: Julio Gonzalez (1870-1942). Spanish cubist sculptor considered with Picasso the most important of this movement...

ITALY

Rome: Rome has excelled itself with four highly enjoyable and beautiful presented exhibitions.

PARIS

Estève: After important exhibitions in Germany, Switzerland and Scandinavia, Paris in turn honours the abstract French artist born in 1904.

large crowds. At Palazzo Braschi (Piazza San Pantaleo) Praxinos and the Doric Revival - paintings, drawings, engravings and scale models from the years immediately following the rediscovery of the Greek temples in 1760...

Venice: Palazzo Ducale: China in Venice. Chinese Civilisation from the Han Dynasty (127-1379 AD). 150 objects, including silks, brocades, jewellery, terracotta figures, glass and porcelain lent by the Peking Museum.

Paris: Palais de la Ville: The Doric Revival. A series of engravings on the works of Annibale Carracci mostly inspired by his frescoes in Palazzo Farnese (now the French Embassy in Rome) which fascinated engravers for two centuries after his death in 1609.

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development. Influenced at first by Cubism and fascinated by Cézanne, he continues obstinately on his own solitary road until he achieves an equilibrium between a rigorous composition and an explosion of colours. Grand Palais, Closed Tue, Ends Jan 12 (4288 0224).

Metropolitan Museum: 96 paintings from the end of Van Gogh's life are the focus of this account of a two-part show of the prolific artist at Saint-Remy and Auvers. The Sicily Night and Cypresses come from this period working first in an asylum in Saint-Remy and then in Auvers, where he committed suicide in July 1890. Ends March 22.

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photo exhibition commemorating the 200th anniversary of his birth. Ends Nov 23. Hamburg, Kunstverein Ferdinandstrasse: E. Frank Auerbach. A series of paintings and drawings for which British artist Frank Auerbach won the Golden Lion award at the Venice Biennale this year. Thirteen of Auerbach's earlier works will also be on show to give a view of the artist's development and tradition over 30 years. Ends Nov 30.

Tübingen, Kunststiftung Philosophenweg 7b: Toulouse-Lautrec. A retrospective of 150 paintings and pastels studies by Henri de Toulouse-Lautrec (1864-1901). Ends March 15.

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architecture, is celebrated in an exhibit in the city's main architectural museum with newly-made models of his buildings along with drawings, sketches and building fragments emphasizing his use of ornament. Ends Dec 31.

TOKYO: El Greco: 50 oil paintings, part of the Matsukata collection. National Museum of Western Art, Deco Park, one of Tokyo's best, large parks. Several national museums and Tokyo's main concert hall (Tokyo Bunka Kaikan) are in the vicinity. A day's museum-hopping can be pleasantly diverted by a visit to one of the park restaurants. Ends Dec 14. Closed Mon.

Amsterdam Historical Museum: A collection of 19th-century French drawings and watercolours providing a cross-section of the styles and fashions of the period, from the creation of the Napoleonic legend to exotic Orientalism and the Italian picturesque. Ends Jan 5.

Amsterdam Historical Museum: The Taste of the 18th century in Amsterdam's rich merchant class and its influence on art and culture as part of the celebration of the 250th anniversary of the city's independence from Dutch rule. Ends Dec 7.

Amsterdam Van Gogh Museum: More art in Holland's most famous art museum's visitor in his career with 24 canvases painted in Zaandam, Amsterdam, and the last sketch in France. Ends Dec 7.

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New York City Ballet (New York State Theater): The company's 85th season continues with 15 repertory programs including Balanchine classics like Concerto Barocco and The Seasons before five weeks of The Nutcracker. Lincoln Center (878 5570).

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WASHINGTON

National Gallery: Violent Renaissance sculpture from the Kunsthistorisches Museum includes work by Bertoldo di Giovanni, Andrea Briosco, and Alessandro Vittoria. Ends Nov 30.

National Gallery: Henri Matisse: The Early Years in Nice 1910-1920, includes 170 paintings from the artist's life in the south of France, where the light made a permanent difference to his sense of colour. Ends March 22.

WEST GERMANY

München, Neue Pinakothek: King Ludwig I as a collector. A photographically reconstructed exhibition.

CHICAGO

Chicago Historical Society: Louis Sullivan, a seminal figure in American architecture, is celebrated in an exhibit in the city's main architectural museum with newly-made models of his buildings along with drawings, sketches and building fragments emphasizing his use of ornament. Ends Dec 31.

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Large advertisement for Telex Computer Products. Text includes: 'If you want things to go right', 'right?', 'right?', 'More and more prestigious companies are finding that Telex Computer Products make things go right.', 'TELEX COMPUTER PRODUCTS Compatible with success', 'For further information please call Richard Slogrove on FREEPHONE 3270. Telex Computer Products (UK) Ltd, Telex House, Prescott Road, Colnbrook, Slough SL3 0BE. Tel. 0753 685787 Telex: 848077'

Theatre

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Continued on Page 25





# FINANCIAL TIMES

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Friday November 21 1986

## The quality of leadership

**PRESIDENT Ronald Reagan** has now declared that, at least as far as the Iranian affair is concerned, the buck stops at his desk. This is a right and proper presidential assertion. The problem is that the justifications he has offered for this extraordinary imbricatio in two weeks' time have diminished national and international confidence that the conduct of US policy is in good hands.

Confidence is not generated when a president can say to his country that he has not been involved in the run-up to the Reykjavik summit. The president's subsequent withdrawal from the brink of a momentous agreement with Mr Mikhail Gorbachev may have restored him with the next to claim with satisfaction that some captives were freed as a result of the supply of arms.

This, it is let it be noted, not a new Reagan mis-speaking. Throughout his presidency and indeed throughout his political career—the relationship between Ronald Reagan and factual detail has been tangential at times. Observations earlier this year over the extent to which South Africa had dismantled apartheid were merely a singular egregious example. But so long as things were generally going well for him and so long as his country and its Western friends took comfort in the image of a strong, united America, this mattered little.

After all, the man he succeeded, Jimmy Carter, was a president who took pride in his immersion in the details of domestic policy. In the end he was drowned by this fascination, which made him appear unimpressive. He was replaced in good measure because Mr Reagan promised that life did not have to be unfair, or over-pleasing, and that the US would never again be humiliated by a rabble of distant mullahs.

Now circumstances are otherwise for Mr Reagan, both the US and the rest of the world have legitimate reasons to be concerned about the quality of command in Washington. For it is apparent that not only is Mr Reagan floundering, but that those who used to do the managing for him have either been bypassed or have problems of their own.

Mr George Shultz, the Secretary of State, has been obliged to admit publicly that he could

not speak on Iran for the administration which he serves. This is a humiliation for Mr Shultz, who had for arduous months been the man charged with the responsibility of dragging the allies behind the US policy of toughness towards state-sponsored terrorism. He must feel that his credibility overseas has been gravely damaged, perhaps to the point of leaving.

Mr Caspar Weinberger, at the Defence Department, had seemed almost semi-detached in any case in the run-up to the Reykjavik summit. The president's subsequent withdrawal from the brink of a momentous agreement with Mr Mikhail Gorbachev may have restored him with the next to claim with satisfaction that some captives were freed as a result of the supply of arms.

This, it is let it be noted, not a new Reagan mis-speaking. Throughout his presidency and indeed throughout his political career—the relationship between Ronald Reagan and factual detail has been tangential at times. Observations earlier this year over the extent to which South Africa had dismantled apartheid were merely a singular egregious example. But so long as things were generally going well for him and so long as his country and its Western friends took comfort in the image of a strong, united America, this mattered little.

After all, the man he succeeded, Jimmy Carter, was a president who took pride in his immersion in the details of domestic policy. In the end he was drowned by this fascination, which made him appear unimpressive. He was replaced in good measure because Mr Reagan promised that life did not have to be unfair, or over-pleasing, and that the US would never again be humiliated by a rabble of distant mullahs.

Now circumstances are otherwise for Mr Reagan, both the US and the rest of the world have legitimate reasons to be concerned about the quality of command in Washington. For it is apparent that not only is Mr Reagan floundering, but that those who used to do the managing for him have either been bypassed or have problems of their own.

Mr George Shultz, the Secretary of State, has been obliged to admit publicly that he could

**A**T FIRST glance, it looks like a classic battle of different corners yesterday launched a £1.1bn corporate culture, BTR, which takeover bid for Pilkington Brothers, the glass manufacturers, has built up from small beginnings 20 years ago into one of Britain's biggest and most aggressive industrial groups.

Run from an anonymous and spartan headquarters in London's Pimlico, it has a remarkable appetite for swallowing less efficient businesses. Its bewildering range of interests include the manufacture of industrial hose, car wheels and Freddy Folly women's tights.

Pilkington presents a considerable contrast. Established in 1838 and still headed by a member of the Pilkington family, it has long enjoyed a reputation as a paternalistic employer, providing virtually a welfare state in St Helens, its quiet Merseyside headquarters, for employees and pensioners alike. Even its diversification into areas it does not understand, it has built itself up into the world's largest manufacturer of flat and safety glass.

The contrast is underlined by the differing personalities at the head of the two companies. Antony Pilkington, the 51-year-old chairman of the business that bears his name, is a tall, elegant man with a polite, thoughtful air.

Sir Owen Green, 61-year-old chairman of BTR, has an open, cheery and down-to-earth manner and a rapid way of speaking that suggests a highly active mind. An accountant by training, he became managing director of BTR in 1967 and is the driving force behind its growth. Only last week he named Mr John Cahill, head of BTR's North American operations and a man very much in the Green mould, as his successor as chief executive from January. Sir Owen, however will keep control of overall strategy.

But appearances, both personal and corporate, can be deceptive, and it would be wrong to portray the battle for Pilkington as a simple clash between a ruthless corporate raider and a homely old basic UK manufacturer. The reality is rather more subtle. First, Pilkington, which only went public in 1970 and spent much of the following decade professionalising its management, has been transformed under the leadership of Anthony Pilkington, who took over as chairman in 1980.

OVER THE past seven years, Pilkington has been executing a textbook long-term strategy aimed at achieving domination in an increasingly global and mature industry.

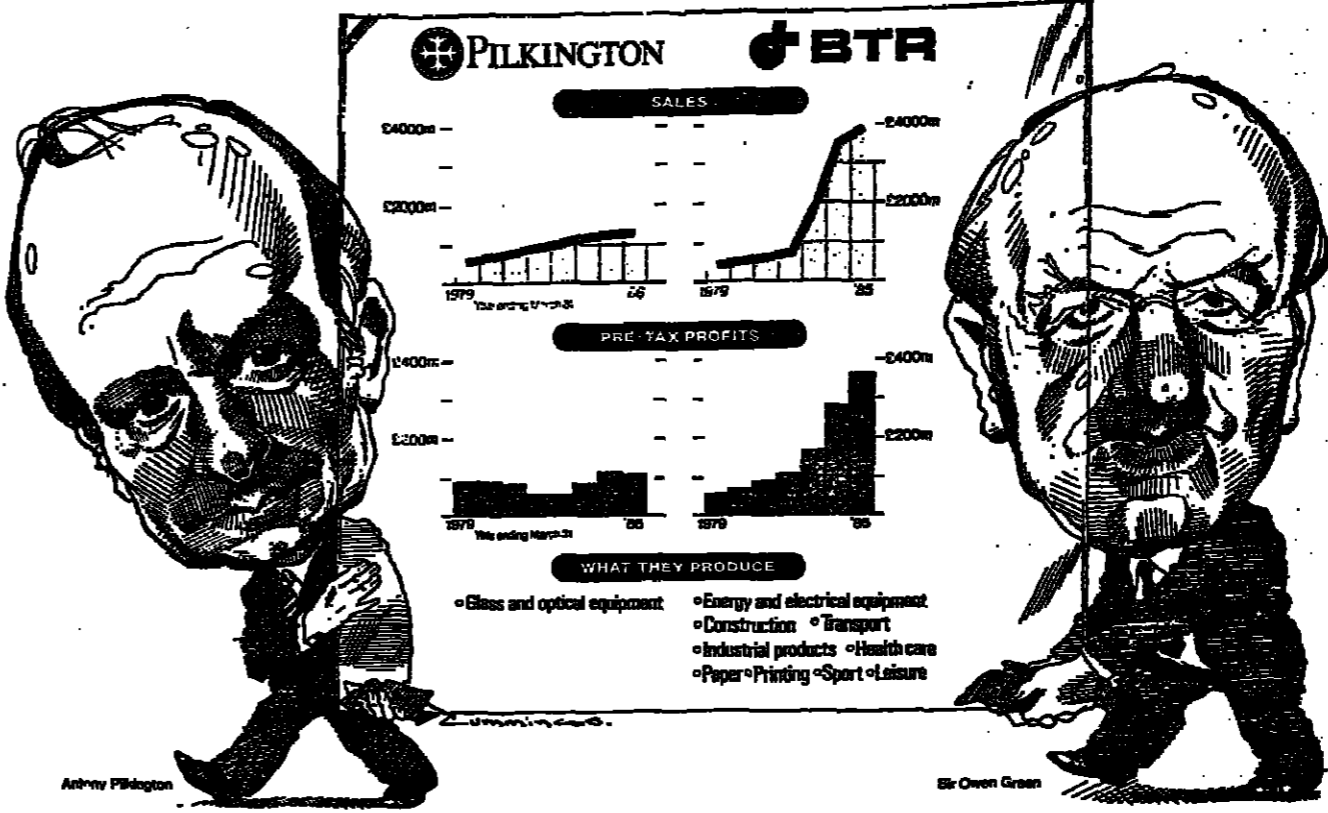
By first treating Europe as its home market, then expanding ambitiously into America, by diversifying in parallel into related businesses, and by dramatically increasing its productivity, it has done everything that a management consultant or business school professor could demand.

It has even devoted considerable management effort to transforming itself from a technology-driven organisation to one with considerable marketing skills.

Such tactics are the very stuff of success. But while the strategy may look fine on paper, it has had to be carried out in the most hostile of circumstances, with the result that the company's profits have suffered.

Along with GKN, Pilkington is one of the few major British manufacturers which has never lost the enthusiasm for continental European expansion which was spurred

## BTR's bid for Pilkington



# Sir Owen prepares to walk on glass

The labour force has been cut sharply and work practices have been changed radically; much management control has been transferred from board members to divisional chief executives with clear responsibility for budgeting, manufacturing, marketing and industrial relations; and the emphasis of the group has switched to marketing as the key ingredient in improving profits in a mature market.

At the same time, the spread of the group's interests has changed; there has been a drive into the US through acquisitions, turning it into the world's

leading flat glass producer, and thus more able to lead the market; and there has been diversification into the related areas of ophthalmics and electro-optics, with the aim of making this high margin area produce one-third of profits by 1990.

But all this, coupled with a price war in the European glass industry, has so far produced a distinctly uneven profit performance. At the pre-tax level, these have risen from £53m in 1982 to £116m in 1985, before dropping to £102m last year, largely because of redundancy costs.

However, with most of the

restructuring now over and a move to higher prices among European glass manufacturers, analysts are expecting a substantial recovery in earnings this year.

"In spite of all we've been through," says Mr Pilkington, "we've done all the right things and we've never lost sight of our strategy. We've grown, and emerged as clear leader of the industry."

He maintains that that leadership would be prejudiced by absorption within BTR, which he attacks as a "run of the mill" conglomerate. "It's success," he says, "I'll grant you, but that's

not the point. Conglomerates take a short term view. That's no way to run a glass industry."

However, BTR cannot be portrayed as an aggressive conglomerate out of the same mould as Hanson Trust, which is often mentioned by critics in the same breath. Unlike Hanson, BTR does not make a practice of selling on large chunks of the companies it acquires to new owners, making a turn along the way (though it has disposed of businesses that do not fit well, such as Carnhill Insurance).

"We're not buying companies to strip them, but to grow

## THE STUFF OF A HARVARD CASE STUDY

European glass industry was immediately plunged into a state of drastic overcapacity from which it still has not fully recovered.

Pilkington has been plagued by the industry's overcapacity almost ever since. Though it took dramatic action to reduce its own overcapacity and boost productivity to the much higher levels of its American and emerging Japanese competitors, it has been consistently drained by expensive redundancy costs.

Though the company hopes the current financial year will be the last to bear a sizeable redundancy burden, the damage to its profits — and its rating — has been done.

The third plank of Pilkington's long-standing survival strategy, expansion in the US, has gathered pace since 1981, when it paid £75m for a 30 per cent stake in Libbey-Owens-Ford, one of the world's largest makers of safety glass for motor vehicles and a primary supplier to Detroit.

Earlier this year, Pilkington gained full control of the Ohio-based company's glass making and processing division in a complex deal valued at over \$250m.

As Antony Pilkington said at the time, the Libbey purchase was of great strategic importance, giving his company a strong and secure base in the US and strengthening its position among the limited number of other large companies that dominate world glass markets.

The deal raised Pilkington's world market share in flat glass from 12 per cent to about 18 per cent, a whisker ahead of PPG Industries of the US (about 17 per cent, depending on exchange rates), and St Gobain of France with about 13 per cent. The other leading producers are Ford and Guardian Industries, plus Asahi of Japan.

Pilkington has also been expanding into the US through a spate of smaller acquisitions as part of an international strategy of building on its existing interest outside flat and safety glass. The latest

move came only last week when Pilkington announced that it had agreed to pay \$42m for Arizona-based maker of contact lenses, Syntex Corporation.

These steps have all been aimed at ensuring Pilkington's survival as the flat and safety glass industry moves into an era not only of global concentration, but also of growing technological maturity. This last factor has added to the company's problems: its royalty income from the flat glass production process which it pioneered a quarter-of-a-century ago, has been steadily declining as the licenses expire.

Commenting on this textbook exercise in strategic direction, a leading European business school academic yesterday said the company "has done a hell of a job of dealing with its own internal problems. Just as the fruits are starting to show, it looks as if it may get taken. It's a classic takeover tactic."

While praising Pilkington's

current strategy, the academic was also critical of it on two grounds: it should have expanded almost much earlier and it has become too locked into large-scale flat glass plants at a time when new competitors such as Guardian are reaping the benefit of small plants geared to narrower customer needs, with lower spreads and a faster stock turn.

On both points the company would argue that it had little choice. Its shareholders are going to need a great deal of convincing that BTR can bring much more to the party.

"Unlike some of BTR's other bids, this is going to be a very difficult battle," said one leading analyst last night. "I wouldn't like to predict the outcome."

Martin Dickson

them," says Mr Cahill, and most City analysts, who have a very high regard for BTR's ability to turn round problem companies, would agree with that.

In the past 10 years, BTR's pre-tax profits have risen from £24m to £563m, thanks both to organic growth and some clever takeover battles, such as that of conglomerate Thomas Tilling in 1983 and Dunlop Holdings, the rubber products group, in 1985. Ingredients in its success include a high degree of management decentralisation, coupled with firm financial controls from the centre.

But despite this record, there was some initial surprise among analysts yesterday that it had pounced on Pilkington. First, Dunlop and Tilling is now widely regarded as a well-run company on a recovery track. This suggests it will not be a particularly cheap acquisition, and raises the question of just what BTR's management can add that would improve the performance.

Sir Owen yesterday contrasted BTR's latest annual return on sales of 10.8 per cent with Pilkington's 5.3 per cent, and claimed that his management style could improve matters. But Pilkington replied that such figures are selective and highly misleading. Analysts were also cautious rather than unclear about the logic of the bid. BTR has traditionally expanded by buying companies in contiguous, related areas to its core operations.

It has no significant holdings in the construction, transport or health care industries, which BTR also has a substantial presence. Both companies also have big interests in the US, Europe and Australia.

Mr Pilkington dismisses these arguments, saying that the two companies' relations with customers are completely different. As for the international comparisons: "We're both world companies. So what?"

Certainly, at a time when Pilkington seems to have got his house in order, its shareholders are going to need a great deal of convincing that BTR can bring much more to the party.

"Unlike some of BTR's other bids, this is going to be a very difficult battle," said one leading analyst last night. "I wouldn't like to predict the outcome."

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Martin Dickson

Christopher Lorenz

## Brazil chooses the centre

**THE ORDERLY** conduct of Brazil's first entirely free congressional and gubernatorial elections after 21 years of military rule is a cause for congratulation. By all accounts the campaign has been hard fought and the voting fair. The ballot box is back.

Better still, though the counting continues, it is already clear that the country has an unequivocal result. The Brazilian Democratic Movement Party (PMDB) has swept like an avalanche through the polls and now looks set to win some 21 governorships and clear majorities in both houses of congress.

Brazil, so long ossified by an unimaginative military, badly needs a broadly centrist, but reformist force to manage the complex social and political problems that its unique configuration of enormous wealth and grinding poverty generates.

The long march back to fully instituted democracy has only just begun. However, at present, the new republic is simply a name. The first task of the new congress is to sit as a constituent assembly and draw up a constitutional rule book. Preliminary efforts by an appointed committee of the great and good to define the parameters of the document in a draft text have not argued well for the process.

The draft contained over 400 articles and attempted to enshrine such micro-issues as maximum working hours and the role of foreign companies in the new Brazilian state.

If Brazil's new constitution is to achieve greater longevity than its eight predecessors, more than an editor's blue pencil will be needed to strike out the didacticism and get on with the real task of defining the division of powers and political functions. In the interim, Brazil must live with an uneasy, formidable legal vacuum. Technically, the old discredited constitution with its decree provisions and other dictatorial legacies remains in force. But consensus-seeking President Sarney will feel reluctant to use its more draconian powers.

At the same time, he is rightly determined to be his own man, and avoid being dictated to by a party which owes much of its electoral success and consequent

political muscle to his economic strategy. This week he has already summoned in Dr Guimaraes, the PMDB leader, for consultations. There will be no more of the old style of when to consult and when to inform is set to arise imminently. Any moment now, civil servants and economists will present a package of measures for adjusting the anti-inflationary Cruzado plan.

Those adjustments must inevitably be tough restraints on the consumer boom, a gradual or partial unfreezing of prices and possible tax rises.

The last, but perhaps most crucial question that faces the country is its attitude to the rest of the world. However distasteful it may seem, Brazil must live with the reality that its high foreign debt and declining ability to attract foreign capital require a complete rethink of how the country projects itself abroad.

The nationalist lobby continues to talk of new restrictions on foreign companies. Any such strategy would be a potentially lethal self-inflicted wound. Brazil must instead charm foreign investors back, encourage joint-ventures and sell its undoubted attractions.

That requires a measure of tactical politics and an accommodation with the Paris Club on government-guaranteed export credits would be a useful start. The international community, for its part, might reciprocate with some gestures of its own. If Brazil is to pay its way, it must be given the financial space to do so.

A full International Monetary Fund programme may not be politically feasible in newly-democratised Brazil. Many of the major creditor commercial banks, for its part, might be ready to agree a multi-year debt rescheduling on favourable terms, but they are likely to insist on some form of IMF monitoring as a condition of their support. A readiness by the Government to accept external surveillance, coupled with a liberal approach to foreign investment, could pave the way for a more constructive relationship with the international community.

## Quest for a queen

Monarchy may now be mainly a European institution, but the South American republic of Colombia has just chosen a new royal family — of beauty queens.

For 10 days every year, the whole country's attention is focused on the colonial fortress port of Cartagena where the royal event is held.

Previous "reigns" are recalled and compared in the bars and in the press which, without exception, produces special supplements and editorials on the subject. "Queen mothers" gather to confer; the lineages of the regional candidates for Miss Colombia are traced with a meticulous devotion worthy of Debrett; and many of the navy's young officers are deployed as chaperons for the young beauties.

Colombia (population 28m) has more than 5,000 beauty contests a year, culminating in the national title, conferred this week.

Some of the titles, like Miss Potota, contested at harvest time, are prospectively modest. Though despised by the national obsession, the Colombians have yet to match the El Salvador army's attempt to boost troop morale in the war against the guerrillas by staging a contest for a Miss Offensive.

"This is the only truly national event we have," says one of Colombia's leading political journalists. Presidents have been known to intervene in the selections to ensure Colombia's difficult regional and racial balance is maintained.

This year's obvious front-runners were from Antioquia, a key region surrounding Medellin, Colombia's second city, whose people's industry and insularity is resented by the rest of the country; and a mulatto from the Pacific coast area of Chocó, giving Colombia's blacks hope of a

## Men and Matters

first time since the national contest began in 1924.

The candidate from the river Cauca valley, centre of a 30 year guerrilla insurgency, was also tipped by analysts partly because the region is not represented in the present Cabinet, and because its beauty queen promised a "national peace crusade" if she won.

In the event, Miss Antioquia, took the crown; the Cauca valley queen became her deputy sovereign, and Miss Chocó was pippered for the job of princess by Miss Atlantic.

Though it was noted that the blonde Miss Atlantic came from a "royal family" — her mother was a Miss Sugar, her sister a Miss Atlantic, and her cousin, a former Miss Colombia — El Tiempo, Colombia's leading daily, opined yesterday that an opportunity for racial integration as well as regional balance had been lost.

The only real royalty in the preceding, an Indian princess from the Guajira region, failed to get a place.

## Larger print

"It's like Mrs Thatcher defecting to the Labour Party or the Wall Street Journal taking over the Financial Times," bubbled Robert Maxwell as he announced his latest coup in the luxury of the Waldorf Tower.

The news, in fact, was a little less dramatic — but nonetheless marked another bold move in Maxwell's ambition to build the world's biggest printing company. He has hired 47-year-old Jim Sullivan, a senior executive with R. R. Donnelley, the

biggest US printer, to be executive vice-chairman of BPCC. Sullivan will be Maxwell's number two — "if that is possible," Sullivan joked.

Sullivan was in charge of printing a host of US magazines, ranging from Time to Business Week and People Magazine. His mission at BPCC will be to pursue the worldwide expansion of its printing business.

Maxwell has just spent \$70 buying two big US printing companies, Providence Gravure and Webb Printing, which makes him number four in the US industry, and he made it very clear that he aims to dislodge R. R. Donnelley from the top spot.

But while his printing empire grows apace, Maxwell's efforts to leap into the US publishing business have been less successful. He tried and failed to buy Scientific American and Doubleday, the book publishers. He wanted to buy CBS's big magazine operations but Larry Tisch, the new chief executive, has withdrawn them from the market.

## Trade cycles

Few British advertisements — if any — have ever attracted an audience of 350m.

But that is the target figure that the electronics group Plessey confidently expects will be reached this week when its first advertisement appears on Chinese national TV.

Mandarin. The ads will feature Plessey's telecommunications, and air and road traffic control systems.

The bicycle rush-hour in Peking is something that has to be seen to be believed. In addition to sophisticated civil aviation systems, Plessey is upgrading 40 major traffic junctions in the principal city to let the bikes flow freely. Appropriately the system is known as Scott.

## Beyond our ken

Socialism may be on the defensive in many parts of the world, but in the Israeli kibbutzim, a delighted Ren Livingstone, once of the Greater London Council, this week discovered a more efficient unit of production than any capitalism could offer.

With more time on his hands than when he was doing battle simultaneously with Mrs Thatcher and the right wing of the Labour Party, Livingstone Israel, to see for himself the country of which he has long been a strident critic.

Livingstone, a guest of the left wing United Workers' Party, says he has immensely enjoyed the visit. But, in character, had a parting word of advice. Israelis should overcome their inhibitions and seize the chance to do a deal with the Palestine Liberation Organisation over the occupied West Bank and Gaza regions. "What the PLO is prepared to accept today would have been unthinkable even a few years ago," he said.

## Artless

Heard from an American woman in London's Portobello Road: "I don't know who Art Nouveau was, Mary, but he sure produced a lot of junk."

## Observer

## Jardine Matheson Holdings Limited

("Jardine Matheson")  
 7 per cent. Exchangeable Preference Shares ("Preference Shares")

ANNOUNCEMENT

Pursuant to paragraph 5(J) of the terms upon which the Preference Shares were issued (the "Schedule of Terms"), notice is given that Jardine Matheson has taken up all the rights to acquire shares in Dairy Farm International Holdings Limited offered to it or its subsidiaries as shareholders of The Hongkong Land Company, Limited ("Hongkong Land") (including the rights offered to it as the holder of the ordinary shares in Hongkong Land ("Ordinary Shares") for which the Preference Shares are exchangeable) and, pursuant to paragraph 5(E) of the Schedule of Terms, Jardine Matheson has elected to adjust the number of Ordinary Shares comprising the Exchange Property (as defined in the Schedule of Terms) to take account of the benefit conferred by the said rights offer on the holders of Ordinary Shares.

The Market Value (as defined in the Schedule of Terms) of the said rights per Ordinary Share has been determined by Schroders Asia Limited to be US\$0.392765677 and the Market Value of the Ordinary Shares as at 2nd September, 1986 (being the date immediately before that on which Hongkong Land announced that the rights offer was to be made) has been determined to be US\$0.792834231. Accordingly, the number of Ordinary Shares comprising the Exchange Property (as defined in the Schedule of Terms) has been adjusted to 223,358,042 with effect from 17th November, 1986 (being the date on which Jardine Matheson took up its rights), and holders of Preference Shares are now entitled on exchange to approximately 1,489,04 Ordinary Shares per Preference Share.

By order of the Board  
 R.C. Kwok  
 Company Secretary  
 17th November, 1986  
 Hong Kong

Jardine Matheson Holdings Limited  
 (Incorporated in Bermuda with limited liability)

Observer

MR REAGAN'S FOREIGN POLICY

A hostage to public opinion

By Stewart Fleming, US Editor in Washington

"HIS INTUITION was so sound that he relied on it too heavily, letting it lead him down paths where intuition should not go alone. Most of the time President Reagan was intuitively keen but intellectually lazy."

This superficially harsh judgment of Mr Reagan was written not by an outspoken critic but by Mr Lou Cannon, White House correspondent of the Washington Post, a sympathetic biographer who has followed the President's political career since his days as governor of California.

Mr Reagan's record as a conservative politician who has consistently dominated both his rivals and the domestic political agenda during his six years in the White House is testimony enough to counter those who have underestimated his abilities and his insights into the mood of the American people.

But today Mr Reagan and his administration are wrestling with what is potentially the worst foreign policy crisis to hit the President since he took office, his decision to send military spare-parts to Iran.

It is a move which has brought Mr George Shultz, his invaluable Secretary of State, to the brink of resignation. Mr Shultz has said in public that he deeply disapproves of both the policy of shipping arms to Iran and the fact that the for-

ign policy role of the National Security Council which managed the Iranian operation, is again expanding under an accident of circumstance at the expense of an incumbent Secretary of State.

At the summit in Reykjavik too, Mr Reagan's reliance on his instincts and his apparent failure to master the complex military and political issues associated with arms control, helped to explain why he was so badly outmanoeuvred at the bargaining table by Mr Mikhail Gorbachev, the Soviet leader.

Now it appears that his limited understanding of the byzantine politics of the Middle East and his decision to ignore the views of experienced foreign policy advisers such as Mr Shultz and Mr Caspar Weinberger, led to the Iranian fiasco.

Most foreign affairs experts maintain that the policy of trying to build diplomatic relationships with Iran, which is what Mr Reagan claims to have been doing, makes a degree of sense although it is not clear that the time being this task is better left to America's allies.

But to pursue this objective in part by secretly shipping arms to Iran, something the US has unequivocally condemned, has been dismissed on all sides as a diplomatic blunder. It makes a nonsense of America's high principled stand against terrorism, at once undercutting

Mr Shultz, the most outspoken advocate of this policy, and the credibility of US policy commitments.

It has led to fears that such deals provide an incentive to terrorists to take more hostages and to countries which have been supplying arms to Iran to supply more of them, perhaps tipping the military balance in the Gulf war towards Iran, something which is not in America's strategic interests.

"We have," remarked Senator Carl Levin, "been duplicitous with our allies and doped by our foes."

The most disturbing judgment for the White House came, however, from the opinion polls taken after the television address Mr Reagan made last week in which he sought to appeal over the heads of his critics in Washington and elsewhere by rallying public support.

It is a gambit Mr Reagan has resorted to regularly when he has been under attack. It worked flawlessly after Reykjavik when, backed by an unprecedented propaganda blitz, the administration succeeded in creating the impression that the summit had been a roaring success.

Chief of Staff, in a revealing commentary on current events, boasted about it to the New York Times last Saturday.

"Some of us are like a shovel brigade that follows a parade down main street cleaning up," said with a laugh, the newspaper reported.

The polls suggest that this time Mr Reagan's most valuable political asset, his credibility with the American people, may not be enough to carry the day, hence the White House gamble to follow up last week's television address with Wednesday night's televised press conference.

An ABC News poll taken after the television address last week showed that 56 per cent of those polled did not believe Mr Reagan when he described as a utopian the allegations that US ships carrying arms to Iran as ransom for hostages, 72 per cent disapproved of his acknowledged policy of sending arms as a way of improving relations with Iran.

After Wednesday night's press conference, however, many were coming to the conclusion that the gamble of putting the President on television to face questions from an increasingly hostile American Press had failed.

Mr Reagan seemed unsure of his answers on several points and contradicted statements by his aides on others, notably on the key issue of whether Washington had worked with a "third country," namely Israel, to help Iran indirectly more shipments of arms than it was sending directly.

One charge levelled against Mr Reagan's conduct of foreign policy was that the gamble of making when a foreign policy disaster has struck, is that it lacks coherence.

But, says Mr John Steinbruner, director of foreign policy studies at the Brookings Institution: "The US never has a fully coherent foreign policy."

The nature of American democracy, the separation of powers within the government, the independent role the legislature plays and the independence of different departments within the administration, all mean that there are many contending opinions in play at any one moment.

Consensus can take a long

time to develop: as a result American foreign policy-making often appears, and often is, disorganised. In how many countries can a legislature defeat the executive and make its own policies the law of the land as happened this year in the case of South African sanctions?

The rejection of Mr Reagan's policy towards South Africa was a rare setback for a President who has successfully applied his political muscle and succeeded in increasing the administration's influence over foreign policy.

But critics have consistently argued that the Reagan Administration has not achieved major foreign policy successes as a result of its own initiatives. In an article in foreign affairs last year Mr Michael Mandelbass maintained that Mr Reagan's stewardship of American foreign policy has been largely successful, citing the improvement in America's standing in the international community since 1981 and his success in avoiding war. But in the article which was entitled "The Luck of the President" he went on to argue "the success... has been due in large part to circumstances having little direct connection with the efforts of the Reagan Administration."

As the tensions between the State Department and the National Security Council mount, such criticisms are being reinforced by allegations from such foreign policy experts as Senator Sam Nunn that the decision-making process today is in "disarray."

That the Reagan administration got off to a slow start in the foreign affairs field is not surprising. In his first years in office the focus was on domestic priorities—curbing inflation, lowering taxes and boosting military spending. Changes in his staff did not help either. Mr Shultz, in office now since 1982, is his second Secretary of State, Vice-Admiral John Poindexter his fourth National Security Adviser.

In his second term, however, Mr Reagan has begun to focus on foreign policy, particularly the pursuit of an arms agreement with the Soviet Union.

So far, however, breakthrough in key areas of special concern to Washington have eluded him. Relations with Moscow are in flux following the breakdown of the Reykjavik

summit although an arms control agreement still looks like his best hope for a foreign policy "triumph."

In Central America there is little evidence to suggest that he is any nearer his declared goal of pressuring the Sandinista Government in Nicaragua to accept Washington's definition of democracy and there is profound concern about the economic and the political stability of Mexico.

In the Middle East since the collapse of the peace initiative launched by Mr Shultz in 1982 Mr Reagan has avoided launching any bold new peace process. Some fear that in doing so he has left a dangerous vacuum.

Interestingly, it is the area of foreign economic policy which is dominated by a supreme political pragmatist, Mr James Baker, the Treasury Secretary, where the second Reagan administration has seen a positive transition towards the implementation of an active agenda.

Mr Baker has ushered in a period of co-operative, if not always harmonious, economic policy management by the major industrial countries, replacing the confrontational approach of his predecessor Mr Donald Regan, but without yet achieving the perhaps unattainable goal of preventing the huge US budget deficit from badly damaging the economy.

Another striking characteristic of Mr Reagan's presidency, one referred to last weekend by Vice-Admiral John Poindexter in a television interview, is the President's willingness to cut through bureaucratic red tape and enunciate major foreign policy innovations. An example of this was the Star Wars Strategic Defence Initiative (SDI).

It is this inclination to follow his nose and his impatience with delay and opposition which has contributed to the difficulties his administration is facing today.

As the debate over the Iranian arms deals rages, Democrats would be the first to admit that apart from raising issues of substance they are also seizing on what looks like a convenient opportunity to capitalise on their recent victory in the mid-term senate elections and to torment a man who has tormented them often enough over the last six years.



Mr Reagan: political health vulnerable

There is no question that Mr Reagan's credibility has been damaged as a result of the succession of political setbacks he has suffered over the past three months, the no-swap swap which ended the Danföls affair, the breakdown of the non-summit summit in Reykjavik, allegations of an elaborate "disinformation" campaign against Libya by the NSC, the loss of Republican control of the Senate and now Iran.

Mr Reagan's advisers will not underestimate the capacity of Congressional investigators to pierce a President's defences and prolong his agony. They will need to be particularly sensitive to this threat because Mr Reagan needs Congressional support not just backing from the American people to carry out his foreign policy agenda.

Soms are asking how it can be that a man who was helped into office by his predecessor, President Jimmy Carter's decision to tie his political fate and the fate of hostages held in Iran can have committed an almost identical blunder.

How could he have missed the fact that the wounds Iran inflicted on the psyche of the

American people in 1980 have yet to heal? Is an isolated President losing touch with the mood of the American people? Or are the predictions of those who warned that the combative Donald Regan would not be able to keep the President out of trouble in the way Mr James Baker did as Chief of Staff casting true?

White House aides, as they now measure the impact of Mr Reagan's second attempt to swing public opinion to his side can comfort themselves that so far at least he remains personally popular. For the time being he can still lean too on the other pillar which has provided strong political support, the performance of the US economy.

But Washington is well aware that Mr Reagan's political health is just as vulnerable as the American hostages now being held in Lebanon or any others that may be taken. Some are arguing that Mr Reagan may need to do more than merely strike once again to the fate of hostages held in Iran can have committed an almost identical blunder.

How could he have missed the fact that the wounds Iran inflicted on the psyche of the



Confidence in the City

From the General Secretary, Fabian Society

Whatever the pros and cons of self-regulation (explored in your Editorial of November 15), the effectiveness and strength of the City ultimately rests in the confidence of the consumer—the investor or the fund-raiser—that he or she is getting a fair deal. This confidence of regulation which allows those who work in the City to cash in on their clients' transactions will ultimately be discredited in the eyes of the consumer. This does not just apply to cases where the adviser himself is the investor, but also to cases where the adviser in which advice is sought: an adviser who holds any shares has an interest in any transaction that affects the price of those shares.

The only acceptable basis for regulating the City is that those who act as advisers should not also act as investors. Those at the top of the new financial conglomerates who can cross Chinese Walls clearly have access to such a range of information that their investment decisions inevitably benefit at the expense of the less well-informed investors at large. These individuals earn fabulous salaries already, and it would hardly be unfair to debit them from shareholdings at all.

But even then further down the ladder, "protected" by Chinese Walls, inevitably benefit from prior knowledge of events. It is a matter for debate about the level of management at which the principle is correct.

Other professions already exclude themselves from areas where participation would prejudice their independence. Civil servants at even quite junior levels may not contemplate membership of a political party; medical practitioners cannot engage in personal relationships with their patients; MPs and councillors must declare interests and abstain from voting on issues in which they are involved.

Surely it is time that the City, in selling services the most important of which is disinterested advice, makes clear its absolute commitment to the total independence of the advice it gives. John Willman, 11 Dartmouth Street SW1.

Design boom

From the Director, Design Council

Sir, Fiona McEwan (November 12) reveals a talling off in the financial performance of design consultancies who have gone public in recent years. We must all hope that this trend will be short-lived, because the consultancies concerned have

Letters to the Editor

been of crucial importance in the transformation of the British design scene, and they all still have a big role to play.

There is however, an aspect to all this which is even more worrying. The recent dramatic growth in design consultancy has mainly been centred upon setting up new firms in industries. By contrast, design in relation to product improvement has not advanced at anything like the same pace.

Fewer than half of the grant applications in the Government's "support for design" scheme relate to product design. Furthermore, it is astonishing that many manufacturers prefer to apply for graphics or packaging assistance in cases where the improvement of the product itself should be the first priority.

Mrs Thatcher and her Government have done much to stimulate interest in design, and it is a pity that she is about to take another look at the situation. She may well conclude that British product design still has a long way to go. Keith Grant, 26, Hogmarket, S.W.1.

Efficient markets

From Mr P. Demant

Sir, In his letter of November 15 Mr Christopher Glover makes a very common mistake. He argues that if (for example) investment institutions take a quarterly view of their performance — that is, they take a short-term view — so the underwriting market, that is the Stock Exchange, will also take a short term view. In fact as has been proved over and over again the Stock Exchange and other well organised markets discount all the available information on the future for companies and the economy very nearly perfectly, whether this information is long term or short term. Mr Glover asks why anyone should buy a stock now whose immediate prospects are poor if you can buy it later on when its longer term prospects become clearer and more certain. Let him try. The evidence is that above average returns are not available either by this very obvious technique or by most others.

I would suggest that one reason why anecdotal evidence such as that put forward by Mr Glover, is misleading is that, because the market is so efficient at pricing the prospects of the various companies, the only chance a fund manager will have of achieving an above average return is to be first in

the interpretation of new news, and most new news is short term, in many cases of course concerning the next results. All the strategic points are already discounted in the share price.

It is true, nevertheless, that the market is not entirely efficient. One inefficiency which is perceived on both sides of the Atlantic is that out-of-favour stocks tend to be undervalued on a risk return basis, which is a relevant point to the instance cited by Mr Glover of a company which is into trading difficulties. (This is of course not at all the same thing as the provision of long-term risk capital to good projects.) Why shares in companies which have got into difficulties should be somewhat undervalued as compared with the level indicated by the capital asset pricing model is a matter for speculation. Clearly investors are more risk-averse than the theory suggests. In any case, this is not a large inefficiency — it affects a limited number of companies and only to a limited extent. It should also be mentioned that it is in just this sort of instance that the attentions of a predator might be considered a beneficial development since, in all the criticism of takeovers, it is often overlooked that a threat as well as the actuality of a takeover may have a beneficial effect in many cases.

To criticise the market for simply "juggling in company securities, and to contrast this with the "sweat and toil expended in creating the wealth" is to turn the truth on its head. Efficient markets assist the efficiency of industry and the creation of wealth. To deny the validity of the correct pricing of risk and return is to deny the rules by which capital can be efficiently used. David C. Damant, Quilter Goodison Co, 31-45 Gresham Street, EC2

The poverty lobby

From Mr P. Aston

Sir,—Ruth Lister (November 14) objects to my labelling the poverty lobby's share of a supplementary benefit level as "arbitrary." She says it was chosen "to take account of the fact that some people on SB have an income higher than the basic... level," and that its use is further buttressed by recent research. Yet Miss Lister argued three years ago that it was unfair "to assume that those receiving SB get (even) a further 20 per cent de facto income," while an author

of several Child Poverty Action Group pamphlets has recently shown that the research Miss Lister refers to is "not at all conclusive."

Indicating the poverty figures and failing to welcome the reduction of nearly 250,000 people in families with dependent children (not 250,000 families as appeared in my original letter) does make one ponder about the poverty lobby's research. The US never has a fully coherent foreign policy. University of Liverpool, Eleanor Rathbone Building, Myrtle Street, Liverpool.

Lloyd's special reserve

From Mr R. Clark

Sir,—Half of a Lloyd's underwriter's profit can be transferred into a special reserve fund against bad years but the maximum is only £7,000. This is a pity since the Finance (No. 2) Act 1955. Adjusted for inflation since December 1955 £7,000 becomes over £60,000. The indications are that the underwriting cycle is about to enter a play and the Finance (No. 2) Act 1955. Adjusted for inflation since December 1955 £7,000 becomes over £60,000. The indications are that the underwriting cycle is about to enter a play and the Finance (No. 2) Act 1955. Adjusted for inflation since December 1955 £7,000 becomes over £60,000.

So far, however, breakthrough in key areas of special concern to Washington have eluded him. Relations with Moscow are in flux following the breakdown of the Reykjavik

Unsolicited mail

From Mr P. Tray

Sir,—I cannot even guess where Mr Loch McJannett (November 18) ranks on the "unsolicited mail scale," but shame on him anyway. Your cartoon immediately above his letter has its serious side. Most of our junk mail is on good quality paper—far too good for the bin. So, unless it's printed on both sides, we use it for scribbling notes, etc, thus making a useful saving in expensive paper—22.52p a kilo, even after allowing for unusable items, probably equals 10 dozen pads. That's quite a few bawbees, surely? Peter H. Tray, Richard, Archib & Co, Victoria House, Southampton Row, W.C1.

Solicited mail

From Mr P. Young

Sir,—Loch McJannett's total of unsolicited mail (November 18) is not unique to companies. Among offers I received this year were: up to 60,000 sq ft of office space for expansion; vending machines for my staff; and equipment for white-lining my playing fields. I am one man working from home. Peter Young, 21 Keble Close, Posnd Hill, Crawley, Sussex.

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To celebrate our 21st anniversary we're presenting you with three tempting offers.

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Stay a total of three nights at Full, Transpacer or Corporate rates and qualify for a free one-night weekend for 2, or stay six nights and qualify for a free two-night weekend.

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FINANCIAL TIMES

Friday November 21 1986

POSITIVE That's BTR

Leslie Colitt on how Budapest's caution is undermining its unique economic reforms

Political ties fetter Hungarian economy

INDECISION and caution are threatening to immobilise Hungary's unique economic reform programme begun in 1988...

ians, he said, because of some adverse aspects, especially high inflation. The task of the leadership was to integrate all interests, which was one reason why it was seen to be moving so slowly on the reforms.

to carry out one vital element of the reform programme involving differentiated wages. It is worried that incentive wages based largely on performance would fuel inflation and antagonise many workers who would prefer the present system of a low, guaranteed wage in return for low productivity.

ing bitter medicine might be "more helpful" in the long run. But the leadership was still influenced by the 1956 Hungarian uprising and was determined to do nothing to provoke such an upheaval again.

slowing down the process of change entails even greater risks. The only important reform to be introduced next year, the transformation of the National Bank into a purely central bank and the creation of five profit-oriented commercial banks, will not prevent the Government from subsidising loss-making industries.

A stream of depressing statistics has increased the leadership's dilemma. The hard currency current account deficit, Hungarian bankers say, is likely to reach \$900m this year, twice last year's level.

Mr Barabas said that senior party leaders could not afford to ignore the political and social consequences of important reform measures.

Dr Gerd Biro, spokesman for the Hungarian Chamber of Commerce, which favours pressing ahead swiftly with the reforms, said that because of the political implications wage differentiation would proceed only "very gradually."

plan several years ago for carrying out the reforms but that economic policymakers had decided instead on a step by step development. This he suggested, was the main reason the reforms had slowed down - in turn preventing Hungarian industry from adapting to the world market.

Time, however, is running short, with pressure mounting on the Hungarian leadership from two fronts. Western bankers, who until now have been forthcoming with fresh loans, are growing uneasy.

The Hungarian Communist Party ended a two day central committee meeting on the economy yesterday after failing to agree on new measures to deal with the worsening economic situation.

Mr Ferenc Havasi, the Politburo member responsible for economic affairs, gave a deeply pessimistic picture of the economy.

But the leadership was said to have been divided over steps to take to revitalise the economy, with the result that nothing was done. Instead, the Central Committee confirmed its commitment to the previously adopted economic reform programme.

Mr Janos Kadar, Hungarian Communist Party leader



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But the leadership was said to have been divided over steps to take to revitalise the economy, with the result that nothing was done. Instead, the Central Committee confirmed its commitment to the previously adopted economic reform programme.

Senior members of the Politburo recently spoke of the urgent need for "more decisive steps" to halt the economy's downward trend and to give a new impetus to the stagnating reform programme.

Mr Barabas said that senior party leaders could not afford to ignore the political and social consequences of important reform measures.

Mr Barabas said, but there were disagreements among economic policymakers on the pace and extent of the reform.

Dr Ivan Berend, an economist and president of the Hungarian Academy of Sciences, believes that circumstances are forcing the Government to do things against its better judgment.

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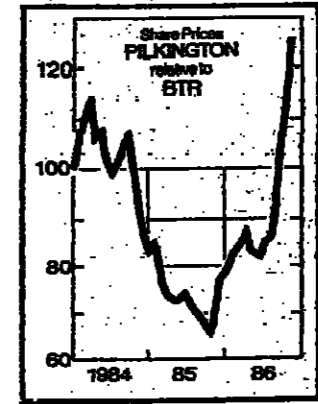
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THE LEX COLUMN Frosted glass for BTR



Cheeky - that's BTR, as characterised by the terms of its bid for Pilkington. At 545p, BTR was offering a premium for control of less than 3 per cent over the previous day's Pilkington price.

Granted that the Pilkington shares had been rising steadily on a tide of talk - much of it even linking Pilkington's name with the actual bidder - this is still not a price at which BTR can expect to succeed. The 81p rise in Pilkington's shares to 611p after the announcement demonstrates a gap which it will cost BTR a great deal of argument, and probably a substantial increase, to close.

Filkington's return on sales. Like its dividend growth record, comes nowhere near the standards set by BTR through the past decade. But it is a long way from being a natural candidate for the BTR treatment; far from being another Dunlop, Pilkington is not even a second Thomas Tilling.

Unlike Tilling, Pilkington is not a hotch-potch of discrete businesses crying out for more disciplined management. In contrast to Dunlop, Filkington's efforts to reshape its US manufacturing base have been rewarded by an improvement in results from its base business, and its balance sheet has proved strong enough - after a one-to-one popular rights issue - to withstand the strategically plausible expansion it has made into the US automotive market.

Before the battle for Pilkington is much older, a great deal will be heard about corporate cultures. Each company can claim, with reason, to have a distinctive style which has enabled it to achieve its chosen objectives.

At BTR these have been reducible, over a span of years and in a wide variety of industries, to the return on sales. Filkington would claim that it has sacrificed immediate margins to its historic aim of technological leadership. The cultural options are clear.

Burton Burton's share price over the past year has portrayed a market suspicion that the group had bitten off more than it could chew, down at 284p, the shares have underperformed the rest of the stores by about a fifth, and stores have hardly been a strong market.

It will take a good while yet before Burton's grander ambitions in department store retailing are

rolled out through the whole Debenhams chain and until then the market may feel entitled to play a waiting game with the shares. But the first full year since the acquisition has produced results that do a fair amount to rebut the market's scepticism.

Although the strategy of throwing a lot of Burton merchandise into the grey areas of Debenhams space did not look a recipe for improvement, it appears to have substituted own-merchandise for concessionaire sales in sufficient proportion to raise the Debenhams retail margin by a point and a half.

Add the continued space and volume expansion in the Burton core chains and this shift seems to have enabled Burton to make good its promise of non-dividend growth. So far, better than expected, but there is still much to play for.

Beecham Beecham's new chairman clearly is no respecter of the fine old traditions of the City. A company under supposed threat of takeover is not supposed to declare that its dividend policy has been too progressive and must be restrained.

That surprise was probably responsible for the share price dropping 7p to 424p, since the interim profit of £155m were no less than the market was demanding. But since bid speculation had pushed Beecham on to an above-average market multiple it is not really perverse to adopt a strategy geared to long-term growth, rather than short-term income.

The weaknesses in the first-half performance are not likely to be recurrent if only because Beecham is about to dispose of most of the culprits. It now appears that the com-

pany will get book value in the sale of its ill-judged diversification into home improvements; so the year-end could see an unpaired BTR beam.

Mordiff Thayer has grown rapidly enough to avoid any earnings dilution even in its first year with the company, so Beecham can claim some evidence of its skill in acquiring businesses - in areas it understands.

B&C/Exco Mr John Gann is a front-line man. Having left B&C in September because of team agreements, he now switches to the business whole, while staying with its senior executives. It is not clear that Exco should have agreed to being rolled over within a week of British & Commonwealth's approach. Probably a year's waiting bid speculation, a distressed 29 per cent shareholder, and a wave of defections from the stockholding business had left the management with little choice to fight even for their own jobs.

It is easier to see why the firm moved so rapidly to resolve the situation. Last week the Bank of England shaved the O'Brien rates which it had invoked to prevent Morgan Grenfell from merging with Exco in February. It is reasonable that Morgan Grenfell was unable this week to get a cash offer for Exco underwritten, but shareholders in Exco have not lost much by the lack of a lengthy auction. They are getting a full price as the speculators could have hoped for from a management which knows the business intimately.

Since B&C is an assets business Exco's formidable generosity of spirit is clear: that the merger is a cash enhancement for B&C is ridiculous. The controversy will surround the quality of those earnings. They are being valued here on a prospective multiple of around 13, while other money brokers have multiples in single figures. The convention that money brokers earnings are of low quality may have to be reviewed, but not just because of this deal.

Post acquisition and the immediate sale of WICO, B&C will hold cash of about £270m. Judging from last week's move by B&C to mop up an associate with interests from food distribution to lime aggregates, the rights issue element of the deal has implications which go well beyond the financial services sector.

ADVERTISEMENT Milestone Reached at Rihand A milestone in NEI's major contract to build a complete 1200MW coal-fired power station at Rihand in India has been reached with the completion of the Unit One Station transformer.



Northern Engineering Industries plc NEI House, Regent Centre, Newcastle upon Tyne, England NE3 3SS Tel: Tyne-side 091 284 3191 Telex: 537900 (NEI NCL G)

Brussels resumes attack on semiconductor pact

BY WILLIAM DULLFORCE IN GENEVA

THE EEC yesterday resumed its two-pronged attack on the US-Japanese semiconductor trade agreement under the General Agreement on Tariffs and Trade (GATT).

EEC officials charged that the pact contravenes the Gatt anti-dumping code and sought to press the US and Japan into admitting that it contains secret clauses, providing preferential treatment for US semiconductor exports on the Japanese market.

Both charges were rejected by the US and Japan who insisted that the text of the agreement submitted to the Gatt secretariat on November 6 was complete and denied that any unpublished side-letters to the agreement existed.

For the EEC Commission Mr Jacques Bourgeois said the trade accord could amount to a sharing of the world market for semiconductors between the US and Japan.

In bilateral talks with the Japanese EEC officials outlined their case under the anti-dumping code: similar bilateral talks were held with the US two weeks ago. In a lat-

er, open session in which the EEC spent out its doubts about the potential market-sharing effect of the pact, reservations were also voiced by the Swiss, Canadians, South Koreans and Hong Kong.

To avoid contravention of the anti-dumping code, the EEC is asking that a clause referring to third country markets be removed from the text of the US-Japanese accord.

Under this clause the Japanese Government undertakes to "monitor as appropriate" the costs and export prices of the products of Japanese semiconductor manufacturers exporting to third countries.

The US and Japan will be given time to think over the EEC arguments, Mr Bourgeois said, but the Commission had reserved its right to proceed under the anti-dumping code. The next step would be to ask for conciliation by the Gatt anti-dumping committee.

EEC officials will report to their ministers in Brussels next week and expect to be instructed to pursue the case within Gatt against the US-Japanese trade pact.

Takeover bid for Exco

Continued from Page 1

Gunn said this was because they worked for Exco's holding company which would cease to exist after the merger. One of Exco's directors will join the B&C board. So will Tan Sri Khoo who has agreed to accept B&C stock and will emerge with a 9 per cent stake in the company.

Caledonia Investments, which has 46.6 per cent of B&C and through which the founding Cayzer family owns the company, has approved the deal. The issue of new shares will reduce the Cayzer interest to a minimum of 30 per cent.

The bid came only one day after B&C dismissed an employee for using inside information about a previous B&C takeover bid to buy share in a target company. Mr Gunn said security on the Exco bid had been very tight, and notes that Exco's shares had declined rather than risen before the bid was announced.

Joyce Quek in Singapore writes: The Brunei Government yesterday seized control of National Bank of

Brunei (NBB), one of the Sultanate's two local banks, following an apparent rift between the ruler and Tan Sri Khoo Teck Puet, the Malaysian Chinese entrepreneur who owns a 70 per cent majority in the bank.

One of two NBB officials arrested during a raid on the bank was Mr Khoo Ban Hook, Tan Sri Khoo's son who as chairman has run the bank alongside Pengiran Muda Haji Sri Bolkiyah, the Sultan's brother and NBB president.

For Tan Sri Khoo, the move comes as the latest in a series of controversial involvements in financial institutions in several countries. He was revealed yesterday as having agreed to sell his key 29 per cent stake in Exco. A deal which followed his accession in August to the board of Standard Chartered Bank.

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SECTION II - COMPANIES AND MARKETS  
**FINANCIAL TIMES**  
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**Hewlett Packard increases profits**

By Charles Hodgson in New York  
**HEWLETT-PACKARD**, the US electronics and computer group which has recently been cutting staff to trim its costs, yesterday reported a 5 per cent increase in net earnings this year. Income was boosted by a 23 per cent surge in fourth-quarter net profits as a result of a stronger rate of order growth.

The California company earned \$516m, or \$2.02 a share, after tax in the 1986 financial year ending on October 31, compared with \$498m, or \$1.91, last year.

Revenues for the year were 9 per cent higher at \$7.1bn against \$6.5bn, with an encouraging 17 per cent increase in international sales.

Improvements in the rate of new orders both at home and abroad helped lift fourth-quarter net profits to \$197m, or 62 cents a share, compared with \$127m, or 39 cents, last time.

Net sales were \$1.93bn in the quarter, against \$1.86bn, with a 30 per cent increase in international revenues and a 4 per cent rise in domestic sales.

Mr John Young, president, said the company's cost-cutting efforts continued in the third quarter, with more than 1,500 US employees electing to leave Hewlett-Packard under its early retirement and voluntary redundancy plans.

The costs associated with running these programmes reduced fourth-quarter income by 4 cents a share, Mr Young said. Hewlett has reduced its workforce by 2,000 to 82,000 this year.

Orders for the year rose 13 per cent on 1985 to \$7.2bn, with a 23 per cent increase in international orders to \$3.36bn.

Mr Young said that while Hewlett's overall revenues and order growth rates were improving, some industry signs, particularly the US capital goods order rate, continued to show weakness, indicating only moderate improvement in growth next year.

The company also announced the first shipments of the new desktop system from its Spectrum programme. The EP 9000 Model 840, which incorporates a Unix operating system, is a high performance minicomputer for general purpose technical use.

Mr Young said that the shipment was a major achievement for the company, not only because it was one month ahead of schedule but also because it was the first in a new generation of computer products that offered "significant price/performance improvements in the years ahead."

**Banco Central confirms 5% Kuwait stake**

By David White in Madrid  
**BANCO CENTRAL**, one of Spain's two largest commercial banks, said yesterday that the Kuwait Investment Office had confirmed it was behind the purchase last month of a stake of almost 5 per cent in Banco Central through a Swiss intermediary.

The Pta 14.4bn (\$106m) deal, made by GSM Securities Management through the Barcelona Stock Exchange, involved shares held by a portfolio company of the Central group and by the Bank's own pension fund.

The bank refused at the time to comment on reports that the purchaser was a private or state Kuwaiti group.

The deal makes Kuwait the largest single shareholder in the bank and follows a recent series of Kuwaiti investments in Spain, notably in hotels and the paper industry.

The renovation of the top echelons of Spanish banking moved a step further yesterday when Mr Emilio Botin stood down as chairman of Banco de Santander after 36 years in the post. Mr Botin, who is 63, was replaced by his son, Mr Emilio Botin Rios, 59, who will at the same time continue as managing director of the bank.

**Volvo chief attacks Japanese rivals as earnings fall by 17%**

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

**VOLVO**, the Swedish automotive, energy and food group, incurred a fall of 17 per cent in earnings in the third quarter of 1986. The group's previous record profit levels were hit by the impact of the fall in the value of the US dollar and rising car development costs.

Mr Pehr Gyllenhammar, chairman, yesterday attacked Japanese carmakers for the "dramatic" way they had boosted their share of the Swedish car market this year.

He called on the Japanese motor industry to exercise self-discipline and not to abuse the openness of the Swedish market.

Sweden was the only car-producing country in Europe that had not introduced quotas or other measures restraining Japanese car imports, he said.

If they (the Japanese) are too brutal, Sweden too must ask itself what it has cost the country to have no restrictions," he said. The Japanese car makers "should not turn the blowlamp on a small country just because it suits them from one quarter to another."

According to the Swedish motor industry federation Japanese car makers' share of the Swedish market has jumped to 21.1 per cent in the first 10 months of the year from 15.7 per cent a year earlier and 15 per cent in the whole of 1985. In October alone Japan took 23 per cent of the Swedish market, led by Toyota and Nissan.

In the first 10 months of this year Volvo's share of its domestic market dropped to 23.3 per cent from 26.5 per cent a year earlier, while the share of SAAB, the second Swedish carmaker, increased slightly to 10.5 per cent from 10 per cent last year. New car registrations overall were virtually unchanged.

Volvo was seeking to increase its own modest presence in the Japanese market and expected to be one of the first Swedish companies to obtain a listing on the Tokyo Stock Exchange before the end of the year.

Despite earlier measures to hedge its US dollar earnings, the impact of the weaker dollar was showing through in lower group profits.

In the third quarter, Volvo profits (after financial items) fell by 17 per cent to SKr 1.32bn (\$191m) compared with SKr 1.59bn a year earlier. Operating income fell by 12 per cent to SKr 1.09bn from SKr 1.24bn in the third quarter of 1985.

Due to a stronger performance in the first half-year, profits (after financial items) for the first nine months were still 3.1 per cent higher than a year earlier at SKr 6.07bn compared with SKr 5.85bn.

Operating income for the first nine months was marginally lower at SKr 5.14bn. Volvo said that the lower dollar exchange rate had reduced the operating income of the group's US subsidiaries measured in Swedish krona by more than SKr 200m.

The US is Volvo's single most important car market.

The earnings of Volvo's car operations, which are among the most profitable in the world motor industry, declined slightly, chiefly as a result of higher product development costs and a heavy capital expenditure programme.

The volume of car deliveries rose by 2 per cent to 322,000 in the first nine months, whereas turnover rose by only 4 per cent to SKr 26.8bn.

Volvo's truck operations reported higher profits overall, despite a fall in the US, with strong order bookings and increased market shares in Western Europe and the US.

Volvo Group turnover fell by some 2 per cent in the first nine months to SKr 60.97bn. The fall in the US dollar reduced sales by some SKr 1.5bn compared with the same period of 1985.

Excluding oil trading and newly-acquired food companies in Sweden, Volvo turnover rose by 6 per cent. Chiefly as a result of the takeover of the Swedish sugar company, Volvo's food turnover rose by 48 per cent in the first nine months to SKr 5.8bn.

**Edelman returns with identical hostile bid for Lucky Stores**

BY OUR NEW YORK STAFF

**MR ASHER EDELMAN**, the New York investor, has renewed his \$37 a share hostile bid for Lucky Stores on identical terms to the offer he withdrew last month, which valued the California supermarket chain at \$1.8bn.

Lucky confirmed that it had received the renewed proposal but pointed out that it had rejected the earlier sweetened bid as inadequate. Mr John Illie, chairman, said that Lucky intended to go ahead with today's planned \$40 per share tender offer for as many as 14.4m common shares.

The share buyback, which represents up to 28 per cent of Lucky's outstanding common shares, forms part of a restructuring plan undertaken by the company to thwart Mr Edelman's previous unsolicited advance. It involves the sales of various unprofitable units and the concentration of the company on its core food business.

Mr Edelman, who leads a group of investors that controls about 5 per cent of the supermarket chain, warned when he withdrew his original offer last month that he would reintroduce it if the company's restructuring plan did not boost Lucky's flagging share price.

"The marketplace has simply not reflected what (Lucky management) felt their restructuring was worth," Mr Edelman said. "It is now essential for directors to take my bid more seriously."

Lucky's stock has remained weak in the past few days. From a low of \$25 just before Mr Edelman launched his bid in September, it rose as high as \$37, but began to slip even before he withdrew his sweetened offer, closing 62.5 cents down at \$32.75 on Wednesday.

In early trading on the New York Stock Exchange yesterday, the shares were 5 1/4 higher at \$33 1/4.

**De Benedetti buys 77% stake in large unit trust**

BY ALAN FRIEDMAN IN MILAN

**COFIDE**, the master holding company of Italy's Mr Carlo De Benedetti, has acquired 77.4 per cent of Fondo Professionale, one of Italy's largest unit trusts with L1,100bn (\$792m) of funds.

Cofide did not disclose the purchase price for Fondo Professionale, which was launched in November 1984 by a group of stockbrokers led by Mr Ettore Fumagalli, chairman of the Milan Stock Exchange. It is understood, however, that Cofide is paying an initial \$30bn and will pay a premium likely to be up to a further L20bn early in the new year.

The acquisition of the unit trust, which has 25,000 subscriber-savers, is designed to expand Cofide's activities in financial services. Fondo Professionale will thus join the ranks of the Latina-Ansonia insurance business of Cofide, which has around L400bn of combined premium income.

In addition, Cofide is using its recently-acquired Societe Financiere de Geneve (SFG), a Shell company bought from Swiss Bank Corporation, as the base for a European investment company and operator in corporate and personal and financial services.

**Italian private sector's bad debts reach record**

BY ALAN FRIEDMAN IN MILAN

**BAD DEBTS** in the Italian banking system reached a record level of 9 per cent of total private sector industrial lending by last May 31, or L18,751bn (\$12bn).

According to figures from the Italian central bank, the 1986 level of bad debts, mostly non-collectible, was nearly double the 1983 level of L8,588bn, when bad debts amounted to 7.5 per cent of total private sector industrial credits.

The May 1986 level, which was largely attributable to problems in small and medium-sized businesses, was four times the L3,882bn of bad debts in the system in 1980. Total loan advances to private sec-

**Takeover bid for Lesieur at halfway stage**

By George Graham in Paris

**ST LOUIS BOUCHON**, France's second largest sugar producer, has already reached the halfway mark in its friendly takeover bid for Lesieur, the cooking oil producer.

Mr Bernard Dumon, the St Louis chairman who also took over as chairman of Lesieur after the resignation of Mr Guy de Brigade last week, said yesterday that St Louis and its friends - including Groupe Worms, Banex, the investment banking arm of Banque Nationale de Paris, and family interests - now hold 50 per cent of the shares in Lesieur.

The new group would have an annual turnover of nearly FFy 14bn (\$2.1bn) with FFy 5.5bn accounted for by sugar and the same amount by cooking oils. Mr Dumon said he would be looking for links with other companies in the food industry and indicated that his sights were set on Olida, the leading French producer of pork products.

The immediate benefits of a merger are expected to come largely in the financial area. Mr Dumon said that St Louis's sugar subsidiary, Generale Sucriere, was a substantial net creditor for much of the year and that he hoped to put this liquidity to use elsewhere within the new group.

St Louis is offering two of its shares for one of Lesieur's.

**Placer ahead in maiden 9 months**

By Our Financial Staff

**PLACER PACIFIC**, the Sydney-based mining investment company partially spun off in June by Placer Development of Canada, yesterday reported a maiden nine-month net profit of A\$31.92m (US\$20.56m).

This was largely attributable to Placer Pacific's 70 per cent stake in Kidston Gold Mines, the Queensland open-pit operation which announced net earnings of A\$44.33m for its nine months to September. The result compares with A\$28.17m in the seven-month start-up period of 1985.

Kidston gave its sales as A\$98.65m against A\$59.36m for even months. Placer, which also has gold interests in Papua New Guinea, showed sales of A\$109.57m. Each company recorded an initial tax bill of just A\$130,400.

**MINING GROUPS TAKE TRADITIONAL ROUTE TO RAISE CAPITAL**  
**The rush to turn gold into cash**

BY STEFAN WAGSTYL IN LONDON

**MINING GROUPS** are flocking to capitalise on the investment vogue for North American gold stocks.

The announcement earlier this month by Noranda, the hard-pressed Canadian group, that it might cut its heavy debt burden by selling off a stake in its prize asset - The Golden Giant gold mine in northern Ontario - came only days after London-based Consolidated Gold Fields hinted that it might float its US gold interests.

Other diversified groups have floated subsidiaries in the past two years - among them Gold Fields' US associate, Newmont Mining, which sold 5 per cent of Newmont Gold, Placer Corporation, which sold shares in St Joe Gold, Freeport-McMoRan parent of Freeport Gold and Penzco, which gave away 100 per cent of Battle Mountain Gold in a free distribution of shares to its shareholders.

The flotation of successful subsidiaries in an old-established way for mining companies to realise some of their investment in a mine and raise cash for future projects. It is particularly common in South Africa, where the large mining houses each manage a string of separately-quoted companies.

However, in North America the dominant trend in the mining industry from the Second World War until the beginning of the 1980s was for increasing consolidation. This culminated in the late 1970s in a series of multi-billion dollar acquisitions of mining companies by oil groups.

Gold mining subsidiaries were swallowed up along with the rest. But for a number of reasons the tide is now moving strongly in the opposite direction.

Firstly, the recession in base metals has prompted a number of oil companies and conglomerates to get out of mining altogether. Penzco has not only pulled out of gold,

**BATTLE Mountain Gold** - floated in August 1985 after 100 per cent distribution of shares to shareholders by Penzco. Market capitalisation \$800m. Produces about 230,000 ounces of gold a year from Fortitude mine, Nevada, which started in 1985. Plans a 60,000-ounce-a-year mine at Pajingo, Queensland. Exploring in US, Canada, West-ern Australia.

**Freeport Gold** - Freeport-McMoRan, natural resources group, over 84 per cent, which is about to fall to 77 per cent following a further share sale. Capitalisation \$470m. Gold output of 200,000 ounces a year from 70-per-cent-owned Jerrit Canyon mine, Nevada. Planning to start production 1987 at 60-per-cent-owned Big Springs mine. Inter-

active explorer with 60 geologists on the staff.

**Newmont Gold** - Newmont Mining floated 5 per cent in June 1986. Capitalisation \$1.6bn. Production rising from 219,000 ounces in 1985 to a planned 700,000 ounces-plus in 1988, which would make it the largest gold producer outside South Africa. Three Nevada mines - Carlin, Maggie Creek and newly-developed Gold Quarry. Newmont Mining has retained the exploration team.

**St Joe Gold** - floated by Finer Corporation, which retains 90 per cent. Capitalisation \$310m. Produces 250,000 ounces a year mainly from 82 per cent owned El Indio mine in Chile. Active explorer in North America.

Newmont Gold represents \$1.5bn out of Newmont Mining's total market capitalisation of about \$1.8bn.

Such moves help mining groups to ward off potential predators at a time of intense takeover activity on Wall Street. They also can make possible acquisitions of other companies for shares look more attractive.

Generally, the parent groups have retained management control of their gold subsidiaries through majority shareholdings. Some have even gone further - in structuring Newmont Gold, Newmont Mining made sure the prospecting programme stayed with the parent company. Mr David Morgan, a mining analyst at stockbroker L. Messel, says: "Companies will not want to relinquish control unless they really have to."

However, at least one important independent new company has emerged - Battle Mountain Gold, floated by Penzco in 1985. One Wall Street mining analyst says: "Penzco must be kicking themselves for giving away 100 per cent of Battle Mountain the way it has performed since last year." The company's shares have risen from \$9.50 to nearly \$20.

With a host of junior exploration companies snapping at their heels both in North America and in Australia, Battle Mountain and its fellow spin-off gold producers cannot afford to be complacent.

But so far, their record in exploration and mine development has been enviable. In the past two years, Newmont Gold has become the second largest US gold producer after Homestake.

Battle Mountain has scored a spectacular success at Pajingo in Queensland, Australia, where a 60,000-ounce-a-year mine is to be built by 1988. Mr Bourne says: "Our competition is everybody out there looking for gold."

**Navistar bounces back into profit**

BY OUR NEW YORK STAFF

**NAVISTAR INTERNATIONAL**, the hard-pressed US heavy trucks group, yesterday reported a net profit of \$2m this year after making a loss of \$36m in 1985.

Navistar, which changed its name from International Harvester earlier this year, said that the result included the previously-announced \$66m charge for a reduction in the carrying value of its preference stock in Tenneco, received in 1985 as part of the sale of its agricultural

equipment business.

The 1985 result reflects costs of \$578m associated with the sale of J. I. Case to Tenneco, the Houston-based conglomerate.

For the fourth quarter, Chicago-based Navistar made a net loss of \$50m including the \$66m special charge.

The company said that income of \$16m before the charge, while substantially lower than the \$77m

earned in the 1985 fourth quarter, was above the company's recent estimates because of an improvement in operating performance and lower costs.

Navistar said that shipments of medium and heavy duty trucks and diesel engines this year were 4 per cent lower than 1985 at \$3.4bn, reflecting a 13 per cent fall in demand for heavy trucks offset by a slight improvement in shipments of medium trucks.

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INTL. COMPANIES AND FINANCE

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**NOTICE OF MEETING**

Shareholders are hereby informed that an Extraordinary General Meeting will be held at the head office of the Company on 8th December, 1986 and, if a quorum is not present at that Meeting, on 18th December, 1986 to consider the following agenda:

- Preferential issue of bonds with warrants attached to subscribe for BSN shares.
- All shareholders will be entitled to attend this Meeting, regardless of the number of shares held.
- To be entitled to attend or to be represented at the Meeting:
  - holders of registered shares must be recorded in the company's share register at least five days before the date of the Meeting;
  - holders of bearer shares must deposit at the head office of the company or at a branch of the institutions listed below, at least five days before the date of the Meeting, a certificate evidencing that the shares have been deposited with authorised intermediaries until the date of the Meeting;

Lazard Frères et Cie, 121 boulevard Haussmann, 75008 Paris, FRANCE.	Lazard Brothers & Co., Limited, 21 Moorfields, London EC2P 2HT, ENGLAND.	Banque Paribas, 3 rue d'Antin, 75002 Paris, FRANCE.
Banque Nationale de Paris, 16 boulevard des Italiens, 75009 Paris, FRANCE.	Banque Transatlantique, 17 boulevard Haussmann, 75009 Paris, FRANCE.	Crédit Lyonnais, 19 boulevard des Italiens, 75002 Paris, FRANCE.
Crédit Industriel et Commercial de Paris, 66 rue de la Victoire, 75009 Paris, FRANCE.	Société Lyonnaise de Banque, 8 rue de la République, 69009 Lyon, FRANCE.	Société Générale, 29 boulevard Haussmann, 75009 Paris, FRANCE.
Société Générale de Banque, 3 Montagne du Parc, Brussels, BELGIUM.	Mimelle Industrielle, 55 rue la Boétie, 75008 Paris, FRANCE.	Crédit du Nord, 6 et 8 boulevard Haussmann, 75009 Paris, FRANCE.
Lombard Odier et Cie., 11 Corrairie, Geneva, SWITZERLAND.	Banque Indosuez, 96 boulevard Haussmann, 75008 Paris, FRANCE.	Banque de Neufilze, Schlumberger, Mallet, 3 avenue Hoche, 75008 Paris, FRANCE.
J. Vontobel et Cie., Bahnhofstrasse 3, Zurich, SWITZERLAND.	A. Sarasin et Cie., 107 Freiestrasse, Basle, SWITZERLAND.	
Banque Demachy et Associés, 223 rue Saint Honoré, 75001 Paris, FRANCE.	Banque Worms, 45 boulevard Haussmann, 75009 Paris, FRANCE.	

Any shareholder wishing to attend the Meeting in person should request an admission card from one of the banks listed above.

Forms of proxy should be lodged with the Company at least five days before the date of the Meeting. Another person may only represent a shareholder at the Meeting if he is himself entitled to attend the Meeting, or is the spouse or legal representative of the shareholder.

Copies of the resolutions to be submitted to the shareholders at the Meeting may be obtained from the offices of Lazard Brothers & Co., Limited, 21 Moorfields, London EC2P 2HT.

Le Conseil d'Administration

**CBOE and Cincinnati SE to affiliate**

By David Owen in Chicago

CHICAGO BOARD Option Exchange, the world's leading options market, and the Cincinnati Stock Exchange have agreed to become affiliates pending approval by members.

The move may eventually enable the CBOE to trade stocks side by side with options as well as producing potential cost-saving benefits. For CSR, the affiliation will bring the promise of expanded membership, increased volume and greater market depth and liquidity.

Mr Alger Chapman, chairman and chief executive of the Chicago exchange, said: "The primary reason for the CBOE to establish a stock trading capability is insurance for our membership in a changing environment - one in which side-by-side trading (stocks and underlying options) may become a reality."

**Foreign bids curbed in Teleglobe sell-off**

BY BERNARD SIMON IN TORONTO

THE Canadian Government has imposed stringent curbs on foreign bidders as part of new conditions for the privatisation of Teleglobe Canada, the state-owned international telecommunications company.

Announcing that Ottawa was reopening bids for Teleglobe, Mrs Barbara McDougall, the Privatisation Minister, said that foreign ownership would be limited to 20 per cent of total equity but that foreign telephone companies would be barred from any shareholding.

British Telecom and the American company GTE, both of which earlier expressed an interest in Teleglobe, are now excluded from the bidding. Foreign ownership is a sensitive political issue in Canada and is among the reasons prompting the Government to reopen bid-

ding for Teleglobe under new conditions.

Teleglobe has a monopoly on Canada's overseas telephone services. It also has part-ownership of several undersea cables and has a small interest in Intelsat, the communications satellite operator. Teleglobe earned C\$31.7m (US\$24.3m) in the first six months of this year on sales of C\$366m.

In terms of the new bidding rules, domestic telephone companies will be limited to a 40 per cent equity stake with no single company allowed to own more than 20 per cent. A public share issue is foreseen after five years.

Canadian bidders in the first round included a partnership of the two big transport and communications companies Canadian Pacific

**Revlon group ahead at \$23m**

REVLOX GROUP, the US cosmetics and supermarket company which last week made a combined \$4.9m bid for Gillette, achieved third-quarter operating net profits of \$23.2m, or 42 cents a share, Charles Hodgson reports from New York.

In the comparable quarter last year, Revlon made a \$2.2m loss on revenue of \$24.2m.

A Financial Times  
Survey  
**World  
Telecommunications**  
1st December, 1986  
For further information  
please contact:  
Nina Janinski  
on 01-948 8000 ext. 422  
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Application has been made for the Notes, in the denomination of U.S. \$5,000 each, constituting the above issue to be admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the temporary Global Note. The issue price of the Notes is 100½ per cent. of their principal amount. Interest will be payable annually in arrears, the first payment being made on 11th December, 1987.

Listing Particulars are available in the statistical services of Extel Financial Limited. Copies of the Listing Particulars may be obtained in the form of an Extel Card during usual business hours on any weekday (Saturdays and public holidays excepted) from the Company Announcements Office of the Quotations Department of The Stock Exchange, Throgmorton Street, London EC2, up to and including 25th November, 1986 or during usual business hours on any weekday (Saturdays and public holidays excepted) at the addresses shown below up to and including 5th December, 1986:-

Chase Manhattan Securities,  
Portland House, 72/73 Basinghall Street,  
London EC2V 5DP

Citibank, N.A.,  
336 Strand,  
London EC2V 5DP

21st November, 1986

NEW ISSUE

All these Bonds having been sold, this announcement appears as a matter of record only.

October 1986



**CITY OF VIENNA**

Republic of Austria

**Swiss Francs 200,000,000**  
**4 ¾ % Bonds 1986-1992/96**

- |  |   |
|--|---|
| <b>Kredietbank (Suisse) S.A.</b>                   | <b>Nordfinanz-Bank Zürich</b>                           |
| <b>Clariden Bank</b>                               | <b>Lloyds Bank Plc</b>                                  |
| <b>Amro Bank und Finanz</b>                        | <b>Bank CIAL (Schweiz)</b>                              |
|  | <b>- Crédit Industriel d'Alsace et de Lorraine AG -</b> |
| <b>Armand von Ernst &amp; Cie AG</b>               | <b>Fuji Bank (Schweiz) AG</b>                           |
| <b>Banco di Roma per la Svizzera</b>               | <b>Gewerbekbank Baden</b>                               |
| <b>Banque Générale du Luxembourg (Suisse) S.A.</b> | <b>Handelsfinanz Midland Bank</b>                       |
| <b>Banque Indosuez</b>                             | <b>Hypothek- und Handelsbank Winterthur</b>             |
| <b>Banque Morgan Grenfell en Suisse S.A.</b>       | <b>Maerki, Baumann &amp; Co. AG</b>                     |
| <b>Caisse d'Epargne du Valais</b>                  | <b>Sparcasse Schwyz</b>                                 |

- |  |  |
|--|--|
| <b>First Chicago S.A.</b>                        | <b>Commerzbank (Schweiz) AG</b>            |
| <b>Sumitomo Trust Finance (Switzerland) Ltd.</b> | <b>Dai-ichi Kangyo Bank (Schweiz) AG</b>   |
| <b>Bank of Tokyo (Schweiz) AG</b>                | <b>Manufacturers Hanover (Suisse) S.A.</b> |
| <b>Banque Gutzwiller, Kurz, Bungereger S.A.</b>  | <b>Merrill Lynch Bank (Suisse) S.A.</b>    |
| <b>Banque Kleinwort Benson S.A.</b>              | <b>Soditic S.A.</b>                        |
| <b>BKA Bank für Kredit und Aussehenhandel AG</b> | <b>The Royal Bank of Canada (Suisse)</b>   |
|  | <b>Yamaichi (Switzerland) Ltd.</b>         |

**S.F.E. INTERNATIONAL N.V.**  
**U.S. \$70,000,000**  
**Guaranteed Floating Rate Notes Due 1988**

Guaranteed by  
**Société Financière Européenne**  
**- S.F.E. Luxembourg**

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the six months 21st November, 1986 to 21st May, 1987 has been fixed at 6½ per cent per annum and that the coupon amount payable on coupon No. 11 will be U.S.\$160.26.

**The Sumitomo Bank, Limited**  
Agent Bank

**U.S. \$250,000,000**  
**Régie des installations olympiques**  
**Floating Rate Notes Due November 1994**



Unconditionally guaranteed by  
**Province de Québec**

Interest Rate	6½% per annum
Interest Period	21st November 1986 23rd February 1987
Interest Amount per U.S. \$50,000 Note due 23rd February 1987	U.S. \$799.65

**Credit Suisse First Boston Limited**  
Agent Bank

**PARGESA HOLDING S.A.**

(Incorporated in Switzerland)

**SECOND NOTICE TO HOLDERS OF WARRANTS TO PURCHASE BEARER SHARES OF SFR. 1,000 EACH OF PARGESA HOLDING S.A. (The "ISSUER")**

NOTICE IS HEREBY GIVEN to the holders of the above-mentioned Warrants that the shareholders of the issuer, at a meeting held on November 18, 1986, authorized the creation of Bearer Participation Certificates ("BPC's") representing a maximum amount of 40% of the issuer's capital and that the Board of Directors of the issuer, at a meeting held on the same day, decided to issue such BPC's in an aggregate principal amount of approximately SFR. 20,000,000, subscription to such issue being reserved in the first instance to existing shareholders of the issuer.

The subscription period for such BPC's has been changed from that contemplated when notice of the proposed issuance of BPC's was recently published in this newspaper. Consequently, the last date for exercise of Warrants to acquire shares entitling the holders thereof to such preferential subscription rights and the dates during which Warrants will not be exercisable will be communicated to Warrant holders in early January 1987 in this newspaper.

Notice of the adjustment of the Exercise Price of the Warrants following such subscription will be published as early as practicable.

**BANQUE INTERNATIONALE A LUXEMBOURG S.A.**  
Warrant Agent



**BANQUE INDOSUEZ**

US\$125,000,000 Floating Rate Notes Due 1997

For the six months  
20th November, 1986 to 20th May, 1987  
the Notes will carry an interest rate of 6½% per annum and coupon amount of US\$320.52 per US\$10,000 note

Listed on the Luxembourg Stock Exchange

**Bankers Trust Company, London**

Agent Bank



**Republic Bank Corporation**

**US\$150,000,000**  
**Floating Rate Subordinated Notes Due 1997**

For the three months  
20th November, 1986 to 20th February, 1987  
the Notes will carry an interest rate of 6¼% per annum with an interest amount of US\$159.72 per US\$10,000 principal amount of Notes, payable on 20th February, 1987

**Bankers Trust Company, London**

Agent Bank

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# INTERNATIONAL COMPANIES and FINANCE

## Premier Group improves halfway

By Jim Jones in Johannesburg

**PREMIER GROUP**, the diversified South African food group, improved its interim profit performance in the six months to September but is cautious on prospects for the second half.

Mr Tony Bloom, chairman, attributes the improvement to a better performance by the food division, a significant reduction in finance charges, sound cost control, higher dividend income from the investment in South African Breweries (SAB) and rationalisation of some troubled operations.

The group's packaging interests have been sold and capital was restructured in the second half of last year by means of a R100m (94.7m) issue of preferred ordinary shares.

First-half turnover increased to R1.33bn from R1.15bn and the trading profit before interest and tax rose to R77.7m from R62.5m. Substantially lower interest payments contributed to a doubling of the interim pre-tax profit to R53.5m from R26.2m.

South Africa's food market has been particularly competitive and Premier in particular has suffered regular losses in its broiler chicken operations. Trading margins remain narrow even though consumer spending is improving and Mr Bloom warns that though the economic upswing should lead to increased second-half profits the rate of increase of profits will not be as great as in the first half.

Net earnings rose to 70.3 cents a share from 41.6 cents and the interim ordinary dividend has been lifted to 36 cents from 32 cents.

Premier is indirectly controlled by Anglo American Corporation.

● Rationalisation of loss-making operations has led to an increase in the interim profits of Tangam-Hallett, the South African sugar, food, bricks, textiles and aluminium products company also controlled by Anglo American. Turnover increased to R1.04bn (964.9m) in the six months to September from R940m, pre-tax profits rose to R47.1m from R45.5m.

## Sales downturn at trading houses

BY YOKO SHIBATA IN TOKYO

THREE of Japan's leading trading houses yesterday reported double-digit percentage falls in sales for the first six months to September, affected by the yen's appreciation, tumbling crude oil prices and the general economic downturn.

Import values were affected by the lower oil prices while exports were particularly sluggish in plant and machinery. C. Itoh, which has a relatively large proportion of domestic trading, managed to confine its sales setback to 12 per cent.

Nissho Iwai was hit in addition by a ¥5bn (80.8m) write-off on inventories of aluminium and fishery products.

C. Itoh acted to improve its financial position by reduced

Parent company results, half-year to September 1986	Sales	Pre-tax profits	Net profits
	Y bn	Y bn	Y bn
C. Itoh	4.90 (-12%)	17.02	5.17 (-12%)
Mitsubishi	6.154 (-15%)	14.58 (-7%)	5.01 (-12%)
Nissho Iwai	3.596 (-12%)	7.49	2.27 (-6%)

depreciation charges and contingency reserves to a quarter of the level of the previous year.

Marubeni had to sell from its holding of securities in order to comply with the Fair Trade Commission regulations, but these maintained a high level of non-operating profits.

Their asset management in capital markets. C. Itoh, for example, in profit margin.

For the current half-year, the increased investment assets by ¥60bn in the first half to ¥430bn and yielded ¥1.5bn in net financial income. This in part offset deteriorated operating results.

These financial balance sheets expect a more stable yen-dollar rate but foresee no marked improvement in operating profits.

● Hanwa, a much smaller Osaka-based trading house which handles mainly steel products, boosted its pre-tax profits in the same period by 140.2 per cent to ¥12.26bn. Its interim net profits surged by 109 per cent to ¥4.76bn.

This was despite a fall in half-year sales by 17.8 per cent to ¥285.54bn, due to lower steel prices. The stronger yen helped to reduce import costs for non-ferrous metals, foods and other products. This was enhanced by strong earnings from asset management.

Hanwa plans to increase its per-share dividend by ¥1.25 for the full year to ¥10.25, well above its larger rivals. It hopes for a further increase to ¥11.50.

## Email staves off takeover by Feltex

By Robert Kennedy in Sydney

EMAIL, Australia's leading white goods manufacturer, has staved off its third unwanted takeover bid in two years, with the withdrawal yesterday by Feltex New Zealand of its proposed A\$400m (US\$257.6m) scrip offer for the company.

The country's Trade Practices Commission ruled two weeks ago that an acquisition of Email by Feltex would put the New Zealand company in a position of dominance in the Australian white goods market. Feltex indicated at the time that it hoped to iron out the difficulties that the TPC saw in its proposed one-for-one share swap offer for Email.

However, it apparently became obvious that the TPC would only countenance a Feltex bid for Email if Equitcorp Holdings, Feltex's parent company, disposed of its 23 per cent stake in Fisher and Paykel, a New Zealand white goods manufacturer.

Equitcorp bought a 23 per cent stake in Fisher and Paykel shortly before its 50 per cent-owned Feltex arm launched the latest takeover attempt on Email.

Equitcorp, which has claimed all along that its decision to take an investment in Fisher and Paykel was independent of Feltex's move on Email, apparently refused to offload the Fisher and Paykel stake.

It had been considered by a number of commentators that Equitcorp planned to back the Fisher and Paykel investment into Email, but that also has been denied by the company and by Feltex.

## Suzuki Motor earnings hit by Y32bn exchange loss

BY OUR TOKYO STAFF

SUZUKI MOTOR, the Japanese maker of small cars and motorcycles, suffered a 23.4 per cent fall in its pre-tax profits to ¥8,095bn (945.8m) in the first half-year to September, despite buoyant car exports.

Net profits were ¥3,01bn, down 25 per cent, on turnover of ¥362.92bn, up 5.6 per cent from a year ago.

The earnings fall was blamed on a ¥32.8bn exchange loss and a fall in book value of its overseas subsidiaries because of the yen's steep appreciation.

During the half-year, domestic sales of automobiles rose 2 per cent to 343,000 units

and exports jumped by 37 per cent to 237,000 sets. In particular, car exports to North America rose 97 per cent.

Sales of two-wheeled vehicles remained unchanged at 631,000 units, but declined 18.9 per cent in value due to the strong yen. Car sales moved up by 14.8 per cent in value.

For the full year to March 1987 Suzuki expects its pre-tax profits to fall 20.4 per cent from the previous year to ¥14.4bn, with net profits of ¥6bn, down 2 per cent, on turnover of ¥740bn, up 2.4 per cent. It plans to maintain the annual dividend at ¥8.5.

## Kubota down as demand and export margins fall

BY OUR TOKYO STAFF

KUBOTA, Japan's leading maker of agricultural machinery and cast iron pipes, suffered a 28 per cent drop in pre-tax profits to ¥8.85bn (863.3m) in the first half of September, and has cut its dividend.

Net profits were ¥4.45bn, down 25 per cent, and the setbacks were attributed to falling demand and narrowing export margins caused by the yen's appreciation. The company cut the interim dividend to ¥2.50 from ¥3.75, and the year's total payout will be ¥5, down from ¥6.25.

Kubota's sales fell by 4.8 per

cent to ¥271.5bn. Domestic sales maintained the previous year's level, but exports declined by 25 per cent from the previous year.

For the second half, the company foresees a further erosion of export profitability by the yen's surge. Full-year sales are projected at ¥575bn, down 3 per cent from the previous year.

Pre-tax profits are put at ¥17bn. ● Hitachi Zosen, the shipbuilding and heavy engineering group reported pre-tax loss of ¥18.68bn in the first half year to September 1986, against losses of ¥13.13bn, despite ¥29.9bn worth sales of securities.

Net loss was ¥18.68bn, compared with a net loss of ¥18.54bn on turnover of ¥133.3bn, down 9 per cent.

## Hicom loss widens in recession

BY WONG SULONG IN KUALA LUMPUR

HEAVY INDUSTRIES Corporation of Malaysia (Hicom), the government-owned company, has reported a sharply wider after-tax loss of 165m ringgit (US\$63m) for the year to March 1986 compared with a net loss of 10.7m ringgit previously.

Operating earnings rose, however, from 13.2m ringgit to 21.1m ringgit.

The corporation, which was set up in 1982 to spearhead the government's heavy industrialisation programme, blamed the losses on the Malaysian recession

and poor overseas demand. Pwaja Trengganu, its 51 per cent subsidiary, which is involved in the production of hot briquetted iron and steel billets, using offshore natural gas, lost 108m ringgit.

The plant began production last year and encountered poor demand for its products locally and overseas.

Proton, Hicom's 70 per cent subsidiary which manufactures the Malaysian National Car, reported a loss of 42.4m ringgit. Commercial production of the

Proton Saga began in September last year, and it now claims half the Malaysian market. However, the local market has shrunk from 72,000 passenger cars last year to an estimated 41,000 cars this year, according to the finance ministry's 1986 economic report.

Another Hicom company, Kedah Cement, which began production in late 1984, incurred a loss of 69m ringgit due to a glut of cement and a contracting construction industry. It had sales of 138m ringgit,

**FIRST CHICAGO OVERSEAS FINANCE N.V.**  
**U.S.\$100,000,000 Guaranteed Floating Rate Subordinated Notes Due 1994**  
 For the three months 21st November, 1986 to 23rd February, 1987  
 The notes will carry an interest rate of 8 1/2% per annum with a coupon amount of U.S.\$164.83. The relevant interest payment date will be 23rd February, 1987.  
 Listed on the London Stock Exchange  
 Bankers Trust Company, London Agent Bank

**MANUFACTURERS HANOVER TRUST COMPANY**  
 £75,000,000  
 Floating Rate Subordinated Capital Notes due 1994  
 In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the Interest Period 20th November, 1986 to 20th February, 1987 has been fixed at 1 1/2 per cent per annum. The Coupon Amounts will be £144.93 for the £5,000 denomination and £1,449.32 for the £50,000 denomination and will be payable on 20th February, 1987 against surrender of Coupon No. 9.  
 Manufacturers Hanover Limited Agent Bank

**WOOLWICH EQUITABLE BUILDING SOCIETY**  
 £200,000,000  
 Floating Rate Loan Notes Due 1995  
 In accordance with the terms and conditions of the Notes, notice is hereby given that for the three months Interest Period from (and including) 19th November, 1986 to (not including) 19th February, 1987, the Notes will carry a rate of interest of 11 1/2% per cent per annum. The relevant Interest Payment Date will be 19th February, 1987. The Coupon Amount per £10,000 will be £285.29, payable against surrender of Coupon No. 4.  
 Hambros Bank Limited Agent Bank

**NEW ISSUE** These Bonds having been sold, this announcement appears as a matter of record only. **NOVEMBER 1986**

**DM 150,000,000**

**Union Bank of Finland Ltd**  
 (Incorporated with limited liability in Helsinki, Finland)

**3 3/4% Subordinated Bearer Bonds 1986/1993**  
 with Warrants attached to subscribe for free C-Shares of Union Bank of Finland Ltd

**CSFB-Effektenbank** **Union Bank of Finland Ltd**  
**Banque Nationale de Paris** **Berliner Handels- und Frankfurter Bank**  
**Deutsche Bank Aktiengesellschaft** **DG Bank Deutsche Genossenschaftsbank**  
**Dresdner Bank Aktiengesellschaft** **EBC Amro Bank Limited**  
**Swiss Bank Corporation International Limited** **Westdeutsche Landesbank Girozentrale**

Arab Banking Corporation - Duss & Co. GmbH    Bache Securities (UK) Incorporated    Banca Massarini & C.    Banca della Svizzera Italiana  
 Banco di Napoli    Bank für Gemeinwirtschaft Aktiengesellschaft    Bank of Tokyo (Deutschland) Aktiengesellschaft    Bankers Trust GmbH  
 Banque Scandinave en Suisse    Bayerische Hypothek- und Wechsel-Bank Aktiengesellschaft    Berliner Bank Aktiengesellschaft  
 Bremer Landesbank Kreditanstalt Oldenburg - Girozentrale    Cazenove & Co.    Chase Bank AG    Citibank Aktiengesellschaft  
 Compagnie de Banque et d'Investissements, CBI    Copoalgebra Handelsbank A/S    Credit du Nord    Dalme Europe (Deutschland) GmbH  
 Dan norske Creditbank    Deutsche Girozentrale - Deutsche Kommunalbank    DSL Bank Deutsche Siedlungs- und Landesbank  
 Fininvest S.p.A.    First Chicago Limited    Genossenschaftliche Zentralbank AG - Vienna    Hamburgische Landesbank - Girozentrale  
 Hoesch & Cie    Hessische Landesbank - Girozentrale    Industriebank von Japan (Deutschland) Aktiengesellschaft  
 Istituto Mobiliare Italiano Capital Markets (UK) Limited    Kansallis-Osake-Pankki    Kidder, Peabody International Limited  
 Landeskreditbank Baden-Württemberg Aktiengesellschaft    Landesbank Schleswig-Holstein Girozentrale    Merck, Finck & Co.  
 Bankhaus Hermann Lüssow Kommanditgesellschaft    Nederlandsche Middestandsbank nv    The Nikko Securities Co., (Deutschland) GmbH  
 R. Metzler and Sons & Co.    Morgan Stanley International    Nederlandse Middestandsbank nv    The Nikko Securities Co., (Deutschland) GmbH  
 Nordbanken    Norddeutsche Landesbank Girozentrale    Sal. Oppenheim jr. & Co.    Pictet International Ltd    Rabobank Nederland  
 N. M. Rothschild & Sons Limited    Salomon Brothers International Limited    Skandinavisk Lån og Kredit Aktiengesellschaft    Skandinavisk Lån og Kredit Aktiengesellschaft  
 Total International Limited    Titilans & Bankhardt KGaA    Unigestion S.A.    United Overseas Bank SA    Vereins- und Westbank Aktiengesellschaft  
 M. M. Warburg-Braunszema, Wirtz & Co.    Westfälische Landesbank Aktiengesellschaft    Yamachi International (Deutschland) GmbH

**The Premier Group**  
 Premier Group Holdings Limited - Co. Reg. No. 01/04314/06  
 (Incorporated in the Republic of South Africa)

**INTERIM REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 1986**

The consolidated results of the Group for the six months ended 30 September 1986 are as follows:

	Six months ended 30 September 1986			Year ended 31.3.86
	1986	1985	% Change	
Turnover	1,328.8	1,149.2	+16	2,367.2
Trading Profit	71.7	62.5	+15	136.6
Dividend Income	14.8	12.0	+16	40.8
Less: Net Interest paid	86.5	74.5	+16	177.4
Foreign exchange losses	33.0	43.6	-24	75.3
Profit before tax	53.5	25.2	+104	90.3
Less: Taxation	13.4	5.4	+144	18.4
Profit after tax	34.1	20.8	+64	73.9
Less: Minority interests and preference dividends	7.2	7.3	-1	21.3
Earnings per share (cents)	28.9	13.5	+110	52.6
Share of retained earnings of associated companies	17.8	10.1	+77	44.0
Earnings attributable to ordinary shareholders	44.7	23.6	+89	98.6
Earnings per share (cents)	70.3	41.6	+69	164.6
Average number of shares in issue (millions)	63.6	56.7	+12	58.7
Dividends (cents)	36.0	32.0	+13	80.0
Preferred ordinary	67.5	40.3	+68	40.3

	As at		
	30.9.86	30.9.85	As at 31.3.86
Shareholders' funds:			
Ordinary	1,431.2	1,285.1	1,410.2
Preference	5.2	5.6	5.2
Outside	184.3	168.6	167.2
	1,620.7	1,459.3	1,582.6
Interest bearing debt:			
Long-term borrowings	49.2	47.4	41.6
Medium-term borrowings	383.1	348.2	267.8
Short-term borrowings	106.8	116.0	67.1
	539.1	511.6	376.5
Total capital employed	2,139.8	1,972.1	1,959.1
Fixed Assets:			
Operating assets	633.4	580.4	618.0
Investments and loans	1,140.9	1,037.7	1,081.3
	1,774.3	1,618.1	1,699.3
Current Assets:	725.7	669.9	593.6
Total Assets	2,500.0	2,288.0	2,292.9
Interest free facilities:			
Current	340.4	293.8	314.6
Deferred	19.8	22.1	17.2
	360.2	315.9	331.8
Net Assets	2,139.8	1,972.1	1,959.1

**COMMENTS**

- Earnings**  
 The comparative figures have been restated to eliminate the results of operations disposed of or closed down during the course of the Group's rationalisation exercise which was referred to in the last Annual Report. This has resulted in raising the comparative earnings per share for the six months to 30 September 1985 to 41.6 cents compared to the 32.2 cents previously published. The Group's performance for the six months under review improved substantially compared to the same period last year. Turnover increased by 16% from R1 149.2 million to R1 328.8 million and broadly in line with this, trading profit increased by 15%. The Premier Food Industries group produced improved results compared to the previous year and significantly increased their contribution to attributable earnings. The decrease in interest rates, combined with the strict control of working capital, the elimination of foreign exchange losses and the positive effect of last year's Rights Issue reduced overall finance costs from R133.0 million, resulting in a profit before tax increase of 104%. These improvements were diluted by a higher tax charge. The improved dividend income and equity accounted profits are due to the excellent results of The South African Breweries Limited, which increased its interim dividend to 12.5 cents (1985: 10 cents) on a 56% rise in earnings per share. Taking all this into account, the attributable earnings of the Premier Group rose by 69%. Due to the additional number of shares in issue, the increase in earnings per share is 69%.
- Financial Position**  
 The increase in borrowings of R142.6 million since the financial year end, is mainly due to the usual seasonal increase in working capital requirements in the industries in which the Group operates, as well as the capital expenditure on the new wheat mill being erected in Vereeniging. The ratio of borrowings to shareholders' funds has reduced from 35% last year to 32% as at 30 September this year.
- Extraordinary Items**  
 Capital profits (arising mainly from the disposal of the Group's packaging interests) amounted to approximately R7 million and have not been included in attributable earnings.
- Prospects**  
 On the basis that the upswing in the economy continues, it is expected that the Group will show a satisfactory improvement in earnings for the year as a whole. However, shareholders should appreciate that the rate of increase for the year will not be as high as that achieved in the Interim Figures now published.
- Dividends**  
 An interim dividend of 36 cents per share has been declared, an increase of 13% over the previous year. In terms of the Company's articles of association and the rights attaching to the Preferred Ordinary shares an interim dividend of 67.5 cents per share (1985: Nil) is payable to the holders of those shares.

AH Bloom Chairman  
 PGA Wrighton Deputy Chairman

**DECLARATION OF INTERIM DIVIDENDS**

**ORDINARY DIVIDEND (No. 147)**  
 An interim ordinary dividend for the six months ended 30 September 1986 of 67.5 cents per share (1985: 32 cents) has been declared payable on or about 19 January 1987 to members registered in the books of the company at the close of business on 19 December 1986.

**PREFERRED ORDINARY DIVIDEND (No. 2)**  
 Preferred ordinary dividend (No. 2) for the six months ended 30 September 1986 of 67.5 cents per share has been declared payable on or about 19 January 1987 to members registered in the books of the company at the close of business on 19 December 1986. These dividends are declared in the currency of the Republic of South Africa. Dividend cheques will be posted on or about 19 January 1987 to members at their registered addresses and will be despatched from the office of the Transfer Secretaries in Johannesburg to all payees except those to whom payment will be made from the office of the London Registrars of the Company (Hill Samuel Registrars Limited). Any instructions which will necessitate an alteration in the office from which payment is to be made must be received on or before 19 December 1986. Payments from the office of the London Registrars of the Company will be made in United Kingdom currency calculated by reference to the rate of exchange ruling on 2 January 1987 or at a rate not materially different therefrom. Non-resident shareholders' tax at the rate of 15% and United Kingdom tax will be deducted from the dividends where applicable. The transfer books and register of members will be closed from 20 December 1986 to 28 December 1986, both days inclusive.

London Registrars Hill Samuel Registrars Limited  
 6 Grosvenor Place London SW1P 1PL

By order of the Board (Mrs) J A Eggle CA (ISA)  
 Group Company Secretary

20 November 1986  
 Registered office Premier Group Centre  
 1 Newtown Avenue Killarney 2193 (P.O. Box 1930, Johannesburg, 2000)

Copies of this Report are obtainable from the London Secretaries, Barnato Brothers Limited, 99 Bishopsgate, London EC2M 3XE.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

US interest rate talks spur market

BY HAIG SIMONIAN

MORE SERIOUS talk from the Federal Reserve Board of a possible US interest rate cut triggered a rush of new dollar Eurobond issues in the primary market yesterday.

British Midland Bank launched a \$500m par priced floating rate note (FRN), paying 10 basis points over six-month London interbank offered rate. Led by Samuel Montagu, the issue is callable after five years at par.

This is Midland's third bid at perpetual FRNs after two much larger issues last year. Its latest offering was timed to coincide with the slight return of confidence in the FRN market seen recently after the falls of previous weeks.

INTERNATIONAL BONDS

within its fees at up to 1 bid by late afternoon. This is only the borrower's second Euro-issue this year, and will appear strongly to investors both on account of its rarity and the familiar name.

The management group predominantly features Japanese financial institutions, and the issue was quoted at less 1/4 bid by late afternoon. Norsk Hydro issued a \$150m 7 per cent 1992 par priced bond, led by Credit Suisse First Boston.

Mitsubishi Trust International led a \$100m 7 1/2 per cent 1993 bullet issue for Mitsubishi Trust Finance (Asia), guaranteed by Mitsubishi Trust and Banking.

Fed clears Goldman deal with Sumitomo

By Ian Rodger in Tokyo and William Hall in New York

SUMITOMO BANK, Japan's third largest bank, said yesterday that it expected to implement its planned \$500m investment in Goldman Sachs, the US investment bank, on schedule following approval of the transaction by the US Federal Reserve.

The Federal Reserve's decision to allow the Japanese bank to take a stake in the famous New York investment bank will be regarded by many analysts as a significant landmark in the dismantling of the more than 50-year-old legal barriers, enshrined in the Glass-Steagall Act, which prevents US commercial and investment banks from competing in each other's area of business.

SEC probe rocks junk bond champion Drexel

BY RODERICK ORAM IN NEW YORK

THERE IS no mention in Drexel Burnham Lambert's latest annual report of Michael Milken even though he has profoundly reshaped the leading Wall Street investment firm—earning for himself a reported \$40m last year in the process—and is its largest individual shareholder with 4 per cent of its equity.

Drexel owes a lot to Mr Milken. He is the guru of junk bonds who has masterminded the firm's dominant role in the field of high yield, low grade bonds.

Enormous success in the lucrative business has catapulted Drexel from middle to top rank on Wall Street in the past few years as junk bond profits produced breathtaking expansion into other investment bank fields.



Frederick Joseph—verbal support for offering

This power has helped create some of the most notable raiders. Few have been as successful as Ronald Perelman and Mr Carl Icahn and the arbitrageur Mr Ivan Boesky, who was penalised \$100m last week by the US Securities and Exchange Commission for insider trading.

Despite Drexel's overwhelming initial success with the junk bond market, it does not own it. Some \$120bn of junk bonds are outstanding, half of which are "fallen angels" paper which had won investment grade rating, but which has slipped since the junk bond market as its corporate issuer fell on hard times. Of the \$60bn of paper issued as junk bonds, Drexel was responsible for half.

Top Citicorp Investment man defects to Orion

BY OUR EUROMARKETS CORRESPONDENT

CITICORP Investment Bank suffered another defection from the ranks of its top executives yesterday when Mr David Pritchard, managing director in charge of Eurosecurities, resigned to move to Orion Royal Bank.

Mr Pritchard, 49, has worked for Citicorp for nine years and is widely regarded as the market as a very high calibre banker. His departure was seen yesterday as a further heavy blow for a bank which lost a string of top people in recent months.

At Orion he will become vice-chairman responsible for capital markets business.

Limited start foreseen for Japan's offshore banking

BY IAN RODGER IN TOKYO

TOKYO'S offshore banking market, due to open on December 1, will be much smaller than the Japanese Government predicted, according to a leading Japanese banker.

Mr Yasuaki Kashiwagi, chairman of Bank of Tokyo, predicted yesterday that the market would attract little more than \$25bn in the early stages compared with the \$80bn figure mentioned by Mr Toyoo Gyoh-tan, vice minister of finance for international affairs, a few months ago.

Mr Kashiwagi, who headed a committee of bankers last year on the structure needed for such a market, said it would not be very competitive with other offshore banking markets because the Japanese authorities had not eased taxes and procedures sufficiently to make it attractive.

The Government's real concern should be over the potential impact of leakage on monetary policy, Mr Kashiwagi said.

Despite the disincentives, Mr Kashiwagi predicted there would be a rush of business at the start. Banks were already soliciting for deposits, and "competition will be tough." However, in his view, it was mainly for prestige.

Sumitomo said it now had to report to the Japanese regulatory authorities on its intention to proceed. Japanese Ministry of Finance officials have made clear that they have no objections to the deal, even though Japan's financial legislation, like that of the US, prevents companies from participating in both the securities and banking businesses.

The Tokyo banking community has been mystified by the deal, wondering how, given all the restrictions, it can be a good investment.

OSTERREICHISCHE LANDERBANK AKTIENGESELLSCHAFT. International Offer of 1,250,000 Participation Certificates of AS 100 nominal value each and 1,250,000 Warrants to acquire additional Participation Certificates. Credit Suisse First Boston Limited, Dresdner Bank Aktiengesellschaft, Swiss Bank Corporation International Limited, Banque Paribas Capital Markets Limited, Bank Gutzwiller, Kurz, Bungener (Overseas) Limited, Banque Bruxelles Lambert S.A., Banque Nationale de Paris, Berliner Handels- und Frankfurter Bank, County NatWest Capital Markets Limited, IMI Capital Markets (UK) Ltd., Leu Securities Limited, Morgan Stanley International, Salomon Brothers International Limited, Swiss Cantonalbanks, Yamaichi International (Europe) Limited.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 20

Table with columns for Bond Name, Issued, Maturity, Offer, Change, Bid, Offer, and Price. Includes sections for US DOLLAR, DEUTSCHE MARK, SWISS FRANC, and CONVERTIBLE bonds.



This announcement presents in summarized form excerpts from the Offer to Purchase of Texas Air Corporation and the Schedule 14-D-9 of People Express, Inc. referred to below and is qualified in its entirety by the information contained in such documents. The Offer to Purchase, which provides detailed information on all the conditions of the Offer, including those not specified in this announcement, on the Purchaser and on the Company, will be available at the principal offices of Banque Paribas (Suisse) S.A., the Paying Agents and other major banks in Switzerland. Its contents may materially influence any decision to be made in respect of this Offer.

## Offer to Purchase for Cash

### Any and All 5½ % Convertible Bonds Due 1996

### Swiss Francs 150,000,000 Principal Amount

of

## People Express, Inc.

by

## Texas Air Corporation

at

65 % of the Principal Amount, (Swiss Francs 3,250 per bond of Swiss Francs 5,000 principal amount) plus Accrued Interest

**THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 NOON, GENEVA TIME, ON THURSDAY, DECEMBER 18, 1986, UNLESS EXTENDED.**

Texas Air Corporation, a Delaware corporation (the "Purchaser"), hereby offers to purchase any and all 5½ % Convertible Bonds Due 1996 (the "Bonds"), of People Express, Inc., a Delaware corporation (the "Company"), in the principal amount of Swiss Francs 150,000,000, at 65 % of the principal amount, (Swiss Francs 3,250 per Bond of Swiss Francs 5,000 principal amount), plus accrued interest upon the terms and subject to the conditions set forth in the Offer to Purchase dated November 19, 1986 (the "Offer to Purchase") and in the related Letter of Instructions (which together constitute the "Offer").

**THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (i) A MINIMUM OF 85 % OF THE OUTSTANDING PRINCIPAL AMOUNT OF THE BONDS BEING VALIDLY TENDERED AND NOT WITHDRAWN, (ii) SATISFACTION OR WAIVER OF ALL CONDITIONS TO CONSUMMATION OF THE MERGER OF A SUBSIDIARY OF TEXAS AIR CORPORATION WITH PEOPLE EXPRESS, INC., AND (iii) THE NON-OCCURRENCE OF CERTAIN EVENTS.**

The Board of Directors of People Express, Inc. has unanimously approved the Merger and unanimously recommended acceptance of the Offer. The Offer is being made subject to the conditions of the obligation of the Purchaser to consummate a merger (the "Merger") of its wholly-owned subsidiary with the Company pursuant to the terms of an Amended and Restated Agreement and Plan of Merger, dated as of November 7, 1986, as the same may be amended from time to time (the "Merger Agreement"), among the Company, the Purchaser and the Company's wholly-owned subsidiary, Continental Airlines, Inc. (the "Continental"). The Merger Agreement is subject to several conditions, including a minimum of 85 % of the outstanding principal amount of the Bonds being validly tendered and not withdrawn. If the holders of the requisite principal amount of the Bonds do not accept the Offer, the Merger Agreement may be terminated by the Purchaser, in which event, the Company has advised the Purchaser that it may well be forced to seek a court order to enforce the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), the Purchaser will purchase by accepting for payment and will pay for any and all Bonds validly tendered on or prior to the Expiration Date (as defined below) and not properly withdrawn, as set forth in the Letter of Instructions to the Principal Paying Agent.

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), the Purchaser will purchase by accepting for payment and will pay for any and all Bonds validly tendered on or prior to the Expiration Date (as defined below) and not properly withdrawn, as set forth in the Letter of Instructions to the Principal Paying Agent. The Offer to Purchase will be made only upon receipt by the Principal Paying Agent of certificates for such Bonds, together with all unpaid interest coupons (including the coupon for interest payable on January 7, 1987). In the event that any unremitted coupons are not submitted with the Bonds tendered, the Purchaser may, in its sole discretion, waive the requirement for such submission provided that the face amount of missing unremitted coupons shall be deducted from the amount payable by the Purchaser. Such unremitted coupons shall be paid upon subsequent presentation at or after their maturity unless such coupons have become void in accordance with Swiss law. Tenders of Bonds will be accepted only in principal amounts of Swiss Francs 5,000 and integral multiples thereof.

For purposes of the Offer, the Purchaser shall be deemed to have accepted for payment (and thereby purchased) tendered Bonds when, and if the Purchaser gives notice in writing or by telex to the Principal Paying Agent of its acceptance of such Bonds for payment. Payment for Bonds so accepted for payment will be made by deposit of the purchase price thereof with the Principal Paying Agent, which will act as agent for the tendering bondholders for the purpose of receiving payment from the Purchaser and transmitting payments to tendering bondholders.

For Bonds to be validly tendered pursuant to the Offer, a properly completed and duly executed Letter of Instructions or facsimile thereof must be submitted by each bondholder to his custodian bank and the bondholder must instruct his custodian bank in the Letter of Instructions to block interest on the Bonds. Any bondholder in physical possession of Bonds may participate in the tender offer only by depositing his Bonds with his custodian bank simultaneously with the delivery to his custodian bank of a properly completed and duly executed Letter of Instructions or facsimile thereof. The custodian bank shall thereupon, on behalf of the bondholder, deliver to any Paying Agent prior to the Expiration Date a tender notice, substantially in the form provided by the Principal Paying Agent to such custodian banks, specifying the aggregate principal amount of Bonds to be tendered pursuant to instructions received by the bondholder. Each bondholder who wishes to tender his Bonds is urged to instruct his bank far enough in advance of the Expiration Date to enable the bank to carry out such instructions. It is unlikely that a custodian bank will be able to carry out such instructions during business hours in Switzerland. Tenders on behalf of bondholders will be valid only if made through banks in Switzerland and received by Paying Agents prior to the Expiration Date. Bonds tendered shall be registered under a specific security category during the Offer unless the tender of the Bonds is made on or before January 17, 1987. During the Offer, Bonds tendered shall not be negotiable, unless properly withdrawn.

For a withdrawal to be effective, a written, teletypic, telex or facsimile transmission notice of withdrawal must be timely sent or delivered by the bondholder's bank on behalf of the bondholder to the Paying Agent by the Expiration Date. The bondholder must instruct his custodian bank to instruct his custodian bank far enough in advance of the Expiration Date to enable the bank to carry out such instructions. It is unlikely that a custodian bank will be able to carry out such instructions during business hours in Switzerland. Withdrawals may only be made in principal amounts of Swiss Francs 5,000 or integral multiples thereof.

The following information is excerpted from the Schedule 14-D-9 filed by the Company with the United States Securities and Exchange Commission on November 19, 1986.

#### Background of the Merger and Offer to Purchase

Since 1985, the Company's subsidiary People Express Airlines, Inc. ("People Express Airlines Inc.") has experienced intense price competition in most of its markets, primarily as a result of excess capacity in the airline industry. During the first six months of 1986, price competition significantly reduced People Express Airlines' yields, the impact of which was exacerbated by an approximately 3.5 percentage point increase in fuel costs as compared to the comparable period in the prior year. As a result of these competitive conditions, People Express Airlines sustained a net loss of approximately \$79.9 million for the first six months of 1986. In addition, Frontier Airlines, Inc. ("Frontier") which was acquired by the Company in November 1985 incurred a net loss of approximately \$28.8 million during the same period, primarily because of the high cost structure prevented Frontier from operating profitably in the face of increased price competition at its Denver hub. Accordingly, the Company and its subsidiaries incurred a consolidated net loss of approximately \$108.7 million (after giving effect to a tax credit and before preferred dividends requirements) for the first six months of 1986.

In view of the prospects for continuing significant losses at Frontier and increasing demands on the Company's cash resources caused by the operating losses at both People Express Airlines and Frontier, the Company announced on June 23, 1986 its intention to seek buyers for part or, under certain circumstances, all of the Company.

Having received an offer from United Air Lines, Inc. ("United") to acquire Frontier for \$146 million and an offer from the Purchaser to acquire the Company, the Company decided on July 10, 1986 to accept the United offer, in part because the Board of Directors was advised that there appeared to be significantly greater value to the Company if the Purchaser's offer was accepted than the value of the United proposal. Although the United proposal was subject to various conditions, including, approval of the transaction by United's unions.

During July and August 1986, United negotiated with its pilots union as to the period of time over which Frontier's pilots would achieve wage parity with United's pilots. Despite the efforts of various parties to act as mediators, United and its pilots union were unable to reach an agreement with respect to integration of Frontier's pilots. As a result, the Company was forced on August 24, 1986 to suspend all Frontier flight operations. Despite Frontier's cessation of operations and continued efforts by the Company to reach a compromise with the pilots union, the Company was unable to find other buyers for Frontier or substantially all of its assets, such efforts were unavailing and on August 28, 1986, the Company caused Frontier to file for bankruptcy reorganization relief as a debtor-in-possession under Chapter 11 of the United States Bankruptcy Code.

It was the Company's expectation that the sale of Frontier to United would relieve the Company of the need to fund Frontier's continuing losses and would provide the Company with the capital resources needed to maintain its financial condition while it attempted to return People Express Airlines to profitability. Although the Company received approximately \$47 million from certain asset sales to United prior to the termination of the United agreement, the loss of the balance of the proceeds from the Frontier sale had a material adverse effect on the Company's cash resources and liquidity and has severely jeopardized the long-term viability of the Company.

On September 5, 1986, after termination of the United agreement, the Company and the Purchaser commenced discussions with respect to the acquisition of the remaining operating assets of Frontier and the merger of the Company with the Purchaser.

The Board of Directors unanimously approved the merger terms offered by the Purchaser on September 14, 1986 which are set forth in the merger agreement between the Purchaser and the Company entered into on September 15, 1986 (the "Original Merger Agreement"), and recommended the approval and adoption of such terms by the stockholders of the Company.

Such terms made the merger conditional upon, among other things, completion of satisfactory agreements with Frontier's unions, the approval of the merger by the United States Department of Transportation and the agreement by holders of a sufficient outstanding principal amount of publicly held debt securities of People Express Airlines to exchange their securities for new securities having lower interest rates and other modified terms that will decrease the interest payable on such securities by at least \$12.8 million in the year following the merger.

At the time of the Original Merger Agreement, the Company provided the Purchaser with projections of People Express Airlines' operating results showing a modest projected loss for the 1986 third quarter and an estimated breakeven for the fourth quarter. However, primarily as a result of the greater than anticipated publicity regarding the Company's deteriorating financial condition, People Express Airlines' operating results for the third quarter were significantly worse than those projected. These factors adversely affected, and continue to affect adversely, People Express Airlines' results of operations. In October 1986, the Purchaser was advised by the Company that People Express Airlines' operating results for the third quarter were approximately \$40 million and that a revised projection for the fourth quarter loss for the third quarter was approximately \$40 million and that a revised projection for the fourth quarter loss for the third quarter was approximately \$40 million and that a revised projection for the fourth quarter loss for the third quarter was approximately \$40 million.

On October 31, 1986, the Company's Board of Directors met to consider the proposed revised terms for the merger providing for among other things a reduction in the consideration to be received by the common stockholders in the Merger, significant concessions from holders of preferred stock of the Company, the modification of certain provisions of People Express Airlines' Terminal C Lease Agreement at Newark International Airport, and the agreement by the holders of at least 85 % of the outstanding principal amount of the Bonds to tender their securities to the Purchaser for cash equal to 65 % of the principal amount of the Bonds pursuant to a proposed tender offer (the "Offer") by the Purchaser. In return for such concessions, the Purchaser agreed to provide up to \$40 million of additional secured loans to People Express Airlines prior to consummation of the Merger. ("The Loan Agreement") of which \$25 million has been advanced and \$15 million would be advanced upon successful completion of the Offer.

At its meeting on October 31, 1986 and at a subsequent meeting on November 2, 1986, the Board of Directors of the Company reviewed the proposed revisions to the Original Merger Agreement with the Company's financial and legal advisors and, after considering various factors, unanimously approved the Merger Agreement. In approving the amended Merger Agreement the Board of Directors considered many factors, including, but not limited to the following:

- (i) the deteriorating financial condition of the Company caused, in part by the concern of air travelers as to the future of People Express Airlines;
- (ii) the Company's anticipated results of operations for the fourth quarter of 1986;
- (iii) the Company's need for substantial additional funds to meet its operating and debt service requirements prior to the earliest time that the Merger could be consummated; and
- (iv) the probability that, in the absence of the financing to be provided in accordance with the terms of the Merger Agreement, the Company would not be able to satisfy all the conditions to the obligation of the Purchaser to consummate the merger contemplated by the Original Merger Agreement.

#### Certain Considerations

The Bonds are unsecured obligations of the Company. The only significant asset of the Company is its ownership of the outstanding Common Stock of People Express Airlines. Such ownership is subject to the right of the Purchaser to convert pre-Merger working capital advances made under the Loan Agreement into up to 40% of the People Express Airlines' Common Stock. In the event that the loan is converted into People Express Airlines common stock prior to the Merger, the issuance of such shares of common stock will be rescinded upon consummation of the Merger, to the extent permitted by law, with the result that People Express Airlines will remain a wholly-owned subsidiary of the Company. Such pre-Merger advances are expected to aggregate \$40 million at the effective time of the Merger. As of September 30, 1986, People Express Airlines had outstanding \$308 million in secured debt, \$118 million in other secured obligations (including capitalized lease obligations) and \$185 million in unsecured notes. On September 30, 1986, the Company owed People Express Airlines \$70 million with respect to a note payable. Pursuant to the Loan Agreement, People Express Airlines has granted to the Purchaser a security interest in such note payable. In addition, since September 30, 1986, People Express Airlines has incurred \$45 million in additional secured indebtedness to the Purchaser.

In the event of a liquidation of People Express Airlines, amounts owed by People Express Airlines to its secured creditors would be paid before any amount would be realized by the Company as the holder of People Express Airlines' Common Stock. Because People Express Airlines' aggregate indebtedness at September 30, 1986 was \$746.1 million and because it is likely that the Company's net equity in People Express Airlines in the event of a bankruptcy liquidation would be significantly less than People Express Airlines' net book value of \$85 million as of September 30, 1986, the Company believes that any amounts payable with respect to People Express Airlines' Common Stock will not be sufficient to pay any significant amounts with respect to the Bonds.

In the event the Merger is not consummated, certain substantial claims against the Company and People Express Airlines that have been or may be waived by certain of the Company's officers or employees who are parties to certain of the Company's agreements may be reasserted against People Express Airlines and People Express Airlines. Although the Company does not believe that it or People Express Airlines is liable for such claims, the financial condition of the Company and People Express Airlines would be adversely affected if such claims are pursued successfully against the Company or People Express Airlines.

If the holders of the requisite principal amount of Bonds do not accept the Offer, the Merger Agreement may be terminated by the Purchaser and the Company may well be required to seek protection under Chapter 11 of the United States Bankruptcy Code.

In the best interests of such bondholders in their acceptance of the Offer by bondholders in 85% of the aggregate principal amount of the Bonds will meet likely be necessary to maintain the financial viability of the Company.

#### Selected Financial Information / People Express

The following is the balance sheet of the Company (Parent Company only) as of September 30, 1986 and December 31, 1985.

PEOPLE EXPRESS, INC. (Parent Company Only)		Balance Sheet	
		September 30, 1986	December 31, 1985
		(In Thousands)	
<b>ASSETS</b>			
Cash and marketable securities	\$ 9,609	\$ 6,722	
Receivables due from subsidiaries	4,251	763	
Prepaid expenses	100	-	
Total current assets	14,060	7,485	
Investment in subsidiaries, at equity:			
People Express Airlines, Inc.	95,476	210,824	
Frontier Holdings, Inc.	9,500	91,052	
Brit Airways, Inc.	34,239	-	
Provincetown - Boston Airline, Inc.	3,722	-	
Total	142,947	301,876	
Advances to subsidiaries	1,262	-	
Special dividend	411	13,118	
Deferred financing costs	2,360	-	
Deferred merger costs	1,351	-	
Due from Frontier Holdings, Inc.	1,195	-	
Total Assets	\$165,304	\$326,779	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
		September 30, 1986	December 31, 1985
Current liabilities:			
Due to subsidiaries	\$ 6,817	\$ 12,453	
Deferred interest payable - 5 1/2 % Swiss Franc convertible debentures	1,177	-	
Other	-	285	
Total current liabilities	7,994	13,038	
5 1/2 % Swiss Franc convertible debentures	91,275	-	
Advances from subsidiaries:			
People Express Airlines, Inc.	70,000	103,048	
People Express Airlines, Inc.	32,794	-	
Brit Airways, Inc.	102,794	-	
Total advances	205,588	103,048	
Stockholders' equity:			
Cumulative Convertible Preferred Stock - Series A	35	35	
Cumulative Convertible Preferred Stock - Series B	14	14	
Cumulative Convertible Preferred Stock - Series C	25	241	
Common Stock	12	19	
Class B Common Stock	226	279,496	
Additional paid-in capital	(308,670)	(53,994)	
Accumulated deficit	(14,631)	(15,123)	
Less notes receivable - restricted stock purchase plan	(36,799)	21,693	
Net stockholders' equity	\$165,304	\$326,779	
Total Liabilities and Stockholders' Equity	\$165,304	\$326,779	

#### Notes to Financial Statements

(1) The Company People Express, Inc. (the "Company") was formed during 1965 and is the holding company of People Express Airlines, Inc. (the "Airlines"), Brit Airways, Inc. ("Brit Airways"), Provincetown-Boston Airline, Inc. ("PBA") and Frontiers Holdings, Inc. ("Frontier"). The Company became the parent corporation of People Express Airlines, Inc. on August 28, 1985 pursuant to an Amended and Restated Agreement of Merger and Plan of Reorganization of the Plan of Reorganization. On November 22, 1985, the Company acquired Frontier Airlines, Inc. for cash by merging a newly-formed subsidiary of the Company with and into Frontier Holdings, Inc. the parent corporation of Frontier Airlines, Inc. The Company's equity in its subsidiaries is reflected in the above statements of operations and accumulated deficit from the dates of acquisition, and with regard to People Express Airlines from the date of the Plan of Reorganization.

(2) Basis of Presentation The Company recorded its initial investment in People Express Airlines, Inc. at the net book value of that airline as of the effective date of the Plan of Reorganization. The Company's initial investment in Frontier Holdings, Inc., Brit Airways, Inc. and Provincetown-Boston Airline, Inc. were recorded at their purchase costs. The Company's equity in its subsidiaries is reflected in the above statements of operations and accumulated deficit from the dates of acquisition, and with regard to People Express Airlines from the date of the Plan of Reorganization.

(3) Other Information These financial statements should be read in conjunction with the consolidated financial statements of People Express Inc. and Subsidiaries as of September 30, 1986 included in the Offer.

#### Selected unaudited consolidated financial data of People Express, Inc. and its subsidiaries:

	Nine months ended	
	9/30/86	9/30/85
	(in Thousands)	
Operating revenues	1,008,632	707,287
Income (loss) from operations	(131,871)	31,053
Income (loss) before income taxes	(272,872)	12,613
Net income	(243,350)	10,683

#### Selected unaudited consolidated financial information/the Purchaser

The following table summarizes certain unaudited consolidated financial data with respect to the Purchaser.

THE PURCHASER		
SELECTED UNAUDITED CONSOLIDATED FINANCIAL INFORMATION (1) (2) (3)		
(In thousands, except per share data)		
	Nine Months Ended	
	September 30, 1986	1985
<b>Income Statement Data:</b>		
Operating Revenues	\$ 1,662,631	\$ 1,447,852
Operating Income	112,192	160,373
Other Income (Expense)	(32,849)	(53,869)
Income Before Income Tax and Extraordinary Credit	79,343	106,504
Extraordinary Credit	18,500	56,284
Net Income	97,843	162,788
Preferred Dividend Per Share	-	-
Income Before Extraordinary Credit	97,843	162,788
Extraordinary Credit	-	-
Net Income	97,843	162,788
Average Number of Shares Utilized	29,327	21,921
<b>Balance Sheet Data at end of period:</b>		
Working Capital	\$ 699,318	\$ 475,741
Total Assets	2,612,104	1,723,036
Total Liabilities	1,250,626	762,991
Long-Term Debt, Net of Current Maturities	164,485	168,137
Common Stockholders' Equity	579,773	166,649

(1) Purchaser's auditors have qualified their report on Purchaser's consolidated financial statements for the years 1985, 1984 and 1983 due to uncertainties relating to Continental and its subsidiaries. In addition, Purchaser's auditors have informed Texas Air that if the uncertainties relating to Continental and Eastern, discussed in Note 17 to the Purchaser's amended consolidated financial statements for the years ended December 31, 1985, are not resolved, they expect to qualify their report on Purchaser's 1986 consolidated financial statements.

(2) Purchaser's consolidated financial results for the nine months ended September 30, 1986 do not include Eastern's financial results. On October 1, 1986, the United States Department of Transportation issued a final order approving the Eastern. In accordance with generally accepted accounting principles, Purchaser's consolidated financial statements for periods prior to the issuance of the DOT order will be revised to reflect Purchaser's investment in Eastern under the equity method of accounting until such time as Purchaser has acquired over 50 % of the voting stock, and on a consolidated basis thereafter. Accordingly, on a restated basis, Purchaser's consolidated net income for the nine months ended September 30, 1986, would decrease by approximately \$ 14,500,000 for a reduction in earnings per share of 0.43 on a fully diluted basis.

(3) Included approximately \$ 75,200,000 of charges against income for the nine months ended September 30, 1986 relating to the estimated settlement of bankruptcy claims, previously unaccrued interest on unsecured obligations and accrual of additional bankruptcy-related professional fees and approximately \$ 12,700,000 of charges against income for the nine months ended September 30, 1985 relating to bankruptcy claims.

Purchaser expects to provide the funds required to purchase all outstanding bonds from cash on hand, and the liquidation of short-term investments and marketable securities.

#### Risks to Non-Tendering Holders; Conversion of Bonds After Merger

The purchase of Bonds pursuant to the Offer may have significant consequences for holders of the Bonds who do not tender their Bonds to the Offer.

**Liquidity; Trading Market**  
The purchase of Bonds pursuant to the Offer could adversely affect the liquidity and market value of the remaining Bonds, if any, held by the public.

**Change in Terms of Bonds**  
If the Offer is consummated, the Purchaser currently intends to call a special bondholders' meeting to vote on several proposed changes to the terms of the Bonds, including elimination of the negative pledge provision and reducing the interest payable on the Bonds to zero for up to five years.  
Under Swiss law, such amendments would require approval by the holders of two-thirds of the aggregate principal amount of the Bonds outstanding. Assuming the Purchaser purchases more than two-thirds of the aggregate principal amount of the outstanding Bonds pursuant to the Offer, the Purchaser would be able to effect such amendments without the consent of any other bondholder. The Purchaser may also propose other changes to the terms of the Bonds which could adversely affect the market value of the Bonds.  
**Conversion of Bonds After the Merger**  
The Company and Banque Paribas (Suisse) S.A. have advised the Purchaser that outstanding Bonds will be convertible at their conversion price (based only on the number of units of merger consideration that would have been received had such Bonds been converted into Company Common Stock immediately prior to the Merger).

Requests for copies of the Offer to Purchase and the Letter of Instructions may be directed to the Principal Paying Agent or any Paying Agent, and copies will be furnished promptly at the Purchaser's expense. No fees or commissions will be payable to any Paying Agent for soliciting tenders of Bonds pursuant to the Offer.

The Paying Agents include all offices throughout Switzerland of the following institutions:

- |   |  |
|---|--|
| <b>BANQUE PARIBAS (Suisse) S.A.</b><br>2 Place de Hollande<br>1204 GENEVE             | <b>BANQUE SCANDINAVE EN SUISSE</b><br>Cours de Riv. 11<br>1204 GENEVE  |
| <b>BANQUE GUTZWILLER, KURZ, BUNGENER S.A.</b><br>Rue Bory-Lyons 17<br>1204 GENEVE     | <b>NIPPON KANGYO KAKUMARU (Suisse) S.A.</b><br>Rue des Plaines 26<br>1201 GENEVE                                   |
| <b>SODITIC S.A.</b><br>Rue de Rhone 118<br>1204 GENEVE                                | <b>BANK OF AMERICA NATIONAL TRUST &amp; SAVINGS ASSOCIATION, Zurich Branch</b><br>Klosterstrasse 15<br>8002 ZURICH |
| <b>BANQUE KLEINWORT BENSON S.A.</b><br>Place de Rhone 2<br>1204 GENEVE                | <b>BANQUE HUSSER &amp; Co AG</b><br>Dufourstrasse 25<br>4002 BASEL   |
| <b>BANQUE AUDI (SUISSE) S.A.</b><br>Rue de la Grotte 4<br>1204 GENEVE                 | <b>BANQUE INDOSUEZ</b><br>Avenue de la Gare 4<br>1003 LAUSANNE   |
| <b>BANQUE NATIONALE DE PARIS (Suisse) S.A.</b><br>Aeschbacherstrasse 26<br>4051 BASEL | <b>BANQUE PASCHER S.A.</b><br>Rue de Hollande 10<br>1204 GENEVE  |
| <b>SOCIETE BANCAIRE JULIUS BAER S.A.</b><br>2, Boulevard de Thurgovie<br>1204 GENEVE  | <b>CHASE MANHATTAN BANK (Switzerland)</b><br>Confederatesstrasse 24<br>8002 ZURICH                                 |
| <b>CHEMICAL NY CAPITAL MARKET CORPORATION</b><br>Rue de Rhone 19<br>1204 GENEVE       | <b>COMPAGNIE DE BANQUE ET D'INVESTISSEMENTS</b><br>Place Casanova 3<br>1211 GENEVE 3                               |
| <b>INDUSTRIAL BANK OF JAPAN (Suisse) AG</b><br>Druckergasse 21<br>8002 ZURICH         | <b>THE LONG-TERM CREDIT BANK OF JAPAN (Suisse) AG</b><br>Druckergasse 21<br>8002 ZURICH                            |

**SAMUEL MONTAGU (Suisse) S.A.**  
Place de Molard 7  
1211 GENEVE 3

This announcement does not constitute the formal offer to purchase within the meaning of the applicable securities laws of the United States nor a solicitation of an offer to sell Bonds. The offer is made solely by the Offer to Purchase and the related Letter of Instructions referred to above, and is not being made to, nor will tenders be accepted from, or on behalf of, holders of Bonds residing in any jurisdiction in which the making of the offer or the acceptance thereof would not be in compliance with the securities or other laws of such jurisdiction.

UK COMPANY NEWS

BP reaches £1.6bn at nine months

BY MAX WILKINSON, RESOURCES EDITOR

BRITISH PETROLEUM yesterday announced a third quarter after tax profit of £362m on a replacement cost basis, bringing its profit for the first nine months of the year to £1.58bn, before a write-down of £316m.

After the write-down reflecting the difficulties of Standard Oil in the US, the third quarter replacement cost profit was just £75m less than in the same period last year.

The third quarter profit was, however, increased substantially by a one-off tax credit resulting from the programme of disposals and re-organisation of Standard. The amount of this tax credit is not disclosed in the accounts, though the aggregate tax charge from all its overseas operations resulted in a credit of £73m.

The relative stability of oil prices between the end of the second and third quarters of the year brought BP's historic and after tax profits much closer together than in the first six months. This reflects the fact that the company was not forced to make a major change in the valuation of its stocks as in the earlier part of the year. Historic cost after tax profits were £345m for the quarter.

In the third quarter there were no extraordinary charges to be set against group profits.

THIRD QUARTER RESULTS		
	July to September	
	1986	1985
Replacement cost operating profit	£m	£m
Realised stock holding loss	570	1,115
	17	61
Historical cost operating profit	553	1,054
Interest expense	128	132
Profit before tax	425	922
Tax	(9)	330
Profit after tax	434	592
Minority interests	(89)	(176)
Profit for the period	345	416

This was in contrast to the £577m write-down in the second quarter to take account of the reduced value of Standard Oil's leases following the collapse in oil prices.

BP Oil International's replacement cost operating profit declined from £40m in the first quarter to £300m in the second quarter and £212m in the third quarter. However, at this level it is still almost 40 per cent more than the level in the third quarter of 1985.

A similar pattern can be seen in the international chemicals business though the decline in operating profits was much gentler, from £58m in the first

quarter to £48m in the third quarter. The third quarter operating profit was however more than twice the level in the same period last year, reflecting the halving of crude oil prices in the period.

Despite the accounting benefit of Standard Oil's tax credit, in the latest quarter its contribution to group profits was meagre at £116m before tax and interest charges. This compared with £556m in the same period last year. For the first nine months of the year Standard's operating profit was £354m (replacement cost) compared with £1.58bn last year. Its profit on refining and marketing in the

third quarter almost doubled to £117m compared with last year, but exploration and production moved into a loss of £3m compared with a profit of £546m in the same quarter last year.

comment

After a tumultuous first half of the year the oil market became settled enough in the third quarter to allow investors to gain a relatively undistorted picture of how BP looks in a world of \$15 oil. The £1bn stocks write down in the first half is not likely to be repeated, and the company may even gain a little from stock changes if the oil market remains firm. Allowing for the special tax credit from Standard, underlying profits may have been about £260m on a replacement cost basis. This would suggest after tax profits for the full year not far from last year's £1.6bn before extraordinary items. From now on, however, results will reflect the weakening margins in the downstream sector which are likely to feel the continued squeeze of competition. Standard may be past the worst, the best hope for the group must be that a post-Yamani Opec will do the beneficial thing.

See Lex

Ferruzzi unveils £425m sugar deal

By Charles Batchelor

Ferruzzi, the Italian food and agricultural group, yesterday unveiled the details of a £425m deal to acquire 70 per cent of British Sugar, the UK sugar beet monopoly, from S. & W. Berisford, the commodity trading and sugar processing group.

The deal, which is still dependent on approval from the Monopolies and Mergers Commission, was announced on the same day that Tate & Lyle, Ferruzzi's rival for the hand of British Sugar, revealed it had increased its stake in Berisford from 10.5 to 13.5 per cent.

Ferruzzi and Berisford have been engaged in talks for the past eight months aimed at securing Ferruzzi's entrance to the UK sugar market. For much of that time Tate has been attempting to win control of British Sugar for itself. Ferruzzi is Europe's largest sugar producer and Italy's third largest company.

As part of the agreement, Ferruzzi has legally bound itself to maintain existing British Sugar capacity, to harvest 80,000 tonnes of sugar beet a day during the sugar campaign and to carry out no plant closure at British Sugar for at least five years.

It has also pledged itself to maintain adequate capital investments at British Sugar.

The existing board of British Sugar, which is headed by Mr Ephraim Margulies, Berisford's chairman, and Mr Peter Jacobs, will remain intact but five Ferruzzi directors will also be appointed as well as two independent directors who have yet to be chosen.

Mr Jacobs, British Sugar's managing director, said the agreement was not intended to prevent the Monopolies Commission with a fair acccept.

But Mr James Kerr Muir, Tate's finance director, commented: "This could be seen as a pre-emptive strike. The principle of which is that the price of sugar is not affected by this deal."

Ferruzzi will finance the purchase of the British Sugar holding with £247m of cash and £178m of debenture stock carrying interest at 9 per cent of London Interbank Rate and repayable after seven years.

The debentures are not convertible into Ferruzzi shares and Berisford will not acquire any Ferruzzi shares as part of the deal.

Ferruzzi has built up a stake of 23.7 per cent in Berisford and is prevented from buying more by an agreement with the Office of Fair Trading. Its voting stake is limited to 15 per cent. The same limits apply to Tate but its shareholding is still a long way below that level.

Rodime shows heavy losses

By Terry Foley

Rodime, the Scottish manufacturer of hard disc memories for computers, slipped heavily into losses in its final quarter to September and has as a result reported an operating loss for the year of £2.74m—which compares with a profit of £12.18m in 1985.

Although the company had warned of the possibility of a fourth quarter operating loss, analysts were surprised at its extent. The loss per share for the year was 39.2p against earnings of 115p previously.

Turnover for the 12 months to September was down £9.8m to £66.2m. After interest received plus investment income of £1.1m (£2.67m) a pre-tax loss of £1.64m (£1.45m profits) was reported.

As much of Rodime's income is not offsettable, it paid £1.44m (£5.84m) producing losses attributable to shareholders of £3.1m (profit of £8m).

In a statement, Rodime said that the new product programme was not sufficiently advanced to "ensure a return to profitability in the coming quarter."

The shares closed up 8p at 418p. Rodime shares were first quoted in February at just under £9.

Beecham hits £155m but warns on dividend growth

BY TONY JACKSON

Beecham has produced figures at the top end of market expectations under its new chairman, Mr Bob Bauman, with pre-tax profits for the six months to September up by 13 per cent to £155.2m. Sales rose from £1.28bn to £1.36bn.

Mr Bauman, however, gave clear warning that dividend growth would be lower over the next few years as Beecham stepped up spending on drug development and consumer advertising.

The interim dividend was held at 5.1p net, partly to restore the balance between interim and final.

Mr Bauman said the sale of the home improvements division and the Germaine Montell cosmetics business was imminent with expected proceeds at least equal to book value of around £170m.

The resulting elimination of group debt would be treated as a net opportunity for expansion. The group also announced the £4m sale of the private trade and export drinks business of Findlater Macle Todd to management.

Mr Bauman said the hunt for a group financial director was now over. The new appointment was from the UK, and would be announced shortly.

Kenneth Thayer, the US proprietary medicine company

TRADING PROFITS		
	Half year	Sept 1985
	1986	1985
Prescription medicines	67.7	60.7
OTC medicines	34.3	16.7
Toiletries, drinks and other	54.5	49.5
Cosmetics and home improvements	22.3	22.4
Geographical analysis	179.3	149.5
UK	54.5	49.9
Rest of Europe	49.0	42.2
The Americas	55.2	42.2
Asia and Australasia	14.2	12.4
Africa	4.4	4.1
Total	179.3	149.5

acquired at the end of December for £255m, had done well. Beecham said, with its Truam anticid tablets reaching brand leadership in the US market.

The acquisition had covered its financing costs in the first half and would do so for the full year.

The prescription drug business performed strongly in the US, the UK and some Continental European countries. Augmentin, the new antibiotic, showed sales growth of 73 per cent.

Mr John Robb, group managing director, said the main problem area had been the home improvement business

worldwide, and the Germaine Montell business in the US. The Germaine Montell business had lost millions. "I believe those figures confirm the correctness of the decision to get out of that part of the business," he said.

Another problem in the US was the failed launch of Jee-care, a cold water deodorant, at a cost of over \$10m. Mr Robb said: "I personally feel we will be taking a much closer look at new product launches around the world in future—markets are getting so much more competitive."

Mr Bauman added: "Beecham has been very efficient in the past at giving old brands new life, and growing that way is much more efficient."

Mr James Pollard, head of the pharmaceutical division, said spending on research and development, particularly in the later stages of clinical trials, would be stepped up in order to bring new drugs to the market faster.

"Our spending has tended to rise in line with research and development. This year we expect to see it several percentage points higher, and we will see the trend accelerate over the next couple of years."

The group's shares fell 7p yesterday to 424p. See Lex

Burton+Debenhams hits £149m

BY CLAY HARRIS

Burton Group yesterday unveiled the first fruits of its recent acquisition at Debenhams with an 85 per cent pre-tax profit for the combined stores group.

A 22 per cent rise in earnings per share, meanwhile, propelled Sir Ralph Halpern into a £20 group league unmatched by any other British chairman. Profit-linked remuneration lifted his total pay to £1,004,000, almost double the previous year's figure of £522,000.

The group increased profits and sales across the board in the 52 weeks to August 30, the first full year since the £560m takeover of Debenhams. Total pre-tax profit advanced to £148.7m (£80.2m) on sales up 123 per cent to nearly £1.3bn (£551m).

Turnover increased to £534.4m (£437.8m) at Debenhams and to £893.4m (£551m) in Burton's original "core" businesses.

New selling space accounted for more than half of the latter, but most of the Debenhams advance came from an increase in volume.

Debenhams increased trading profit by 35 per cent to £76.6m (£56.6m). In the core businesses the advance was 27 per cent to £105.5m (£81.6m).

Sir Ralph said that the group's performance was "most satisfactory" given the challenge of trebling its selling space from 24m to more than 77m sq ft.

The company planned to continue to develop Debenhams as a profitable model for UK department stores. Its new Preston store, which had a "closely edited range" of fashion and furnishings, was trading above budget.

Burton would continue to reduce the role-of-outside-commissions in its stores. From a 50 per cent share at takeover, commissions now accounted for

only 43 per cent of overall Debenhams sales and 20 per cent at Preston.

The group had reduced its debt to £100m at August 30 from £200m a year earlier. Debt peaked at more than £300m last autumn.

Burton had raised £80m through sale and leaseback arrangements, £50m through the disposal of the Hamleys toy shops and Lotus shoe manufacturers and £70 through the creation of a property subsidiary. It had reduced gearing to 80 per cent, from 71 per cent at the end of the previous year.

Capital investment amounted to £112.4m (£75.1m). The company plans to spend up to £200m on Debenhams alone over the next two to three years, generating the funds internally.

A proposed final dividend of 5.1p would make a total of 5.7p (4.4p).

AB Ports agreed £14.9m bid for Grosvenor Square

BY PAUL CHEESEBRIGHT, PROPERTY CORRESPONDENT

Associated British Ports emerged yesterday as a significant force in the property industry when it announced an agreed takeover for Grosvenor Square Properties that valued the company at £14.9m.

The takeover represents a substantial widening of AB Ports's property interests which, from next year onwards should provide about half the group's revenue, bolstering the income from the provision of port services. AB Ports is the largest port operator in the UK and was once a nationalised company.

AB Ports is offering three of its own shares for every seven in Grosvenor, thus valuing the Grosvenor shares at 190p on the basis of last Wednesday's price.

Before Grosvenor announced a week ago that it was in bid talks, its shares had been trading at 100p. But the offer price is some 65p more than the net asset value per share disclosed in Grosvenor's last annual report.

Sir Keith Stuart, the AB Ports chairman, said that the

price reflected the fact that Grosvenor's development programme, which has an investment value of £100m, has moved forward.

This programme, which includes the Pavilion site in London's Piccadilly, the Columbus shopping centre in Bath and a venture on Bishopsgate in the City, is one reason why Grosvenor attracted AB Ports.

The other, Sir Keith said, is the Grosvenor management team. "We have a very substantial land bank which has been going into development through joint ventures because we've not had the in-house expertise. Now we greatly enhance our ability to maximise our assets."

The acquisition of Grosvenor will make little impact on the AB Ports figures for 1986 on which the group is intending to pay a dividend of a 7.5p net against 5p in 1985. Pretax profits in the six months to June were £11m against £4m.

Grosvenor itself made a pre-tax loss of £78,000 after paying tax loss in the year to last of £1.08m the year before.

Ward's offer for LCP extended

Ward White, the fast-growing retail conglomerate currently engaged in a £148m bid battle for LCP Holdings, received acceptances on behalf of just 0.42 per cent of the LCP shares yesterday's first closing date.

Ward White itself owned a 2.57 per cent stake in LCP when it launched its bid last month, and has acquired a further 5.66 per cent holding via an associate. Together with the acceptances, Ward White now controls 8.45 per cent of LCP's equity.

The offer, which has received

monopolies clearance, has been extended to December 7.

Commenting on the level of acceptances, LCP finance director Mr John Astill said last night: "I think the figures speak for themselves—they underline the fact that there is no logic in the bid."

LCP shares eased 1p to 186p on the news while Ward White gained 1p to 313p.

Ranger and Berkeley Ex. agree terms

By Max Wilkinson, Resources Editor

Ranger Oil, Canadian energy group, yesterday in effect won its battle for the control of Berkeley Exploration and Production after the withdrawal of UK-based Clyde Petroleum from the bid.

The boards of Ranger and Berkeley announced agreed terms for an increased final offer at 64p cash for each Berkeley share, valuing the company at £15.6m. Six weeks before the first offer from Ranger, Berkeley shares were trading at about 80p.

Clyde, which had made a counter bid worth £14m, yesterday agreed to sell its 6.1m Berkeley shares to a Ranger subsidiary at the new offer price.

Ranger now controls just less than 60 per cent of Berkeley, and is confident of obtaining the necessary 90 per cent acceptance when the offer is formally put to the remaining shareholders.

After a first offer of 45p, Ranger increased its bid to 62p before its final yesterday. Mr Andrew Wilson, managing director of Berkeley, said yesterday that the increased offer was in the best interests of shareholders, adding that he had received satisfactory assurances about the future of Berkeley employees.

The revised offer followed an announcement by Clyde yesterday that it had completed the purchase of 25 per cent in Berkeley for £3.5m, financed by a rights issue, to institutional shareholders. It said the stake, immediately,

POINTING THE WAY TO CONTINUED PROFIT GROWTH.

CABLE AND WIRELESS INTERIM REPORT			
	6 months to 30 Sept. 1986	6 months to 30 Sept. 1985	Year to 31 Mar. 1986
£m (unaudited results)			
Turnover	438	454	907
Profit before taxation	160	136	295
Attributable profit	96	79	180
Earnings per share	9.5p	8.8p*	19.3p*
Dividend per share	2.05p	1.75p*	4.75p*

\*Adjusted for Capitalisation Issue.

120 years ago, the laying of the first transatlantic cable signalled the birth of Cable and Wireless and established international communications.

Now history is about to repeat itself. Cable and Wireless has taken the first steps in creating a Global Digital Highway which will link the major financial centres of the world including London, New York, Tokyo and Hong Kong.

The network will become operational by 1990, ready to handle the huge increase in world communications traffic between Europe, the USA, Japan, China and other countries on the Pacific Rim. Forecasts predict that traffic will be worth in excess of 3 billion US \$ a year out of Japan alone.

The first step along the Global Digital Highway has already been taken in the UK. Mercury is now established as the alternative national and

international telecommunications operator. By the end of this year, 30 cities will be linked together to create the largest digital network in Europe, and Mercury will be contributing to Group profits during 1987.

The Directors of Cable and Wireless plc report the following unaudited results for the six months ended 30 September 1986.

The profit before tax of £160m is an improvement of 18% over the £136m for the equivalent period in 1985. The profit attributable to Ordinary Shareholders increased to £96m (1985—£79m). Earnings per share increased from 8.8 pence to 9.5 pence. The growth of earnings in the currencies in which the business operates remains strong.

Fluctuating exchange rates will always affect the results of overseas activities when they are expressed in sterling. During this six months the average US \$ exchange rate was 1.51 (1985—1.29). Had it been unchanged the profit would have been some £20 million higher.

The Directors have declared an interim dividend—increased by 17%—to 2.05 pence per Ordinary Share (1985—1.75 pence) on the increased number of shares, following the one for one capitalisation issue. The dividend will be paid on 31 March 1987 to shareholders on the Register on 20 February 1987.

The cost of the interim dividend is £20,822,000 (1985—£17,774,000).

The Directors are confident of the Group's continuing long-term profitability as Cable and Wireless develops its global strategy.



A world leader in Telecommunications

CABLE AND WIRELESS PLC, MERCURY HOUSE, THEOBALDS ROAD, LONDON WC1X 8RX.

DIVIDENDS ANNOUNCED				
	Current payment	Date of payment	Current dividend	Total last year
Beecham	5.1	Feb 2	5.1	12
BEI	5	April 7	5	16
Boots	2.8	Jan 8	2.5	7.1
Brown Shipley H&M	2.75†	—	2.5	—
Burton Group	4.1	—	3.15*	5.7
Cable & Wireless	2.05	—	1.75*	6.5†
Cheas. Wholefoods†	2.03	—	—	1.54
Extel†	3	Jan 2	2	10
Fulcrum Inv	3.6	Dec 31	3.4	5.8
Hazlewood Foods	1	Jan 28	0.87*	1.08*
Thomas Locker	0.38	Jan 2	0.35	1.3
Scantronic	0.8	Jan 12	0.5	1.65
Scott Amer Inv	0.455	Jan 5	0.5	1.94**
Tr North Amer Inv	0.465	—	0.5	1.53
Witan Investment	0.85	—	0.75*	1.63

Dividends shown in pence per share net except where otherwise indicated by rights and/or acquisition issues. †USM stock ‡Unquoted stock.

NOTICE TO LOMBARD DEPOSITORS

Rate for depositors entitled to receive gross interest	Rate for depositors entitled to receive net interest	Gross equivalent to a basic rate tax payer
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14 Days Notice  
Minimum deposit is £2,500

10% <sup>pa</sup>	7.75% <sup>pa</sup>	10.91% <sup>pa</sup>
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Cheque Savings Accounts  
When the balance is £2,500 and over

9% <sup>pa</sup>	7.10% <sup>pa</sup>	10.00% <sup>pa</sup>
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When the balance is £250 to £2,500

7% <sup>pa</sup>	5.23% <sup>pa</sup>	7.36% <sup>pa</sup>
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Interest is credited on each published rate change, but not less than half yearly.

Lombard North Central  
17 Bruton St, London W1A 3DH.

11/21/86



The Young Market: Dorothy Perkins



The Style Market: Principles



The Teenage Market: Top Shop/Top Man



The Larger Market: Evans

# The secret of successful retailing is giving the market what it wants.



The Men's Market: Burton



The Knightsbridge Market: Harvey Nichols



The Family Market: Debenhams



The Stock Market

Once again shareholders get something they like the look of from Burton.

Profits up 85% to £148.7 million. Earnings per share up 22%. Dividend up 29.6% to 5.7p. Group sales up 123% to £1.2 billion. Market share up to 9%. Debt reduced from £261 million to £130 million.

They are excellent figures, but hardly surprising when you recall we've returned record profits for the past six years.

It isn't just our shareholders who have profited. Successful employee achievement has been rewarded, and 24,000 of our staff have participated in performance related incentive schemes that paid £13.1 million.

In fact, all of Britain benefited. Our sales of British made goods were up by more than £150 million last year. We created over a thousand new full time jobs, and of the 1300 young people who

joined Burton through the Youth Training Scheme, 70% now have permanent jobs with us.

So much for 1986. But what are we doing about the coming years? We've literally laid the foundations, adding 75 new shops in 259,000 square feet of space, including the first new look Debenhams, which opened its doors last month to the delighted families of Preston.

We've invested an all time record £112 million in UK retailing, and since July 1986 created a further 1200 jobs under the YTS. Our community programme continues to develop new areas of activity, stimulating enterprise and encouraging new businesses, particularly in the North East.

If you're in the market for an investment with a future, we're sure we've got the very thing you have in mind.

**The Burton Group plc.**  
Successfully Managing Change

November 21 1986  
im but  
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agree terms  
7-75  
7-10  
5-23  
Burton  
Group

UK COMPANY NEWS

# Cable & Wireless exceeds market hopes with £160m

Cable and Wireless has exceeded market expectations with an 18 per cent rise from £136m to £160m in pre-tax profits for the six months ended September 30 1986.

Operations in the Far East and Pacific continued to provide most of the profits with £105m compared with £98m previously; there was a slight improvement, from £15m to £16m in the contribution from the Western Hemisphere and a similar loss of £28m on UK operations. But during the six months the average US \$ exchange rate was \$1.51 (\$1.29) and had it been unchanged the profit would have been some £20m higher.

Mr Gordon Owen, Mercury managing director, said that recent cuts in the price of its trunk calls had not affected the break-even date for Mercury, which was expected in the first quarter of the next financial

year. Mr Owen said that allowances for price cuts had already been built into Mercury's targets.

Total operating costs amounted to £316m (£336m); central costs were £9m (same) while profits from associated companies came to £14m (£18m) and interest and other income brought in £23m (nil). Minorities took £21m (£17m) leaving attributable profits of £96m (£79m) and stated earnings per share of 9.5p (8.8p).

The interim dividend is increased from 1.75p to 2.05p on the capital increased by a one-for-one scrip issue in June 1986.

**comment**

Whether these were good figures or not from Cable and Wireless is open to debate. The company rightly points to the fact that adverse exchange rates

knocked £20m of the pre-tax figure, but omits to remind us that last December's rights issue helped put £28m on — a factor reflected in the uninspiring advance at the bottom line. The market was inclined to indulge this perennial glamour stock and put its shares up 12p to 322p, but in doing so it was looking to the future, not the past. The underlying profits growth in most of its markets is strong, and even with the 27 per cent tariff cut in Kuwait hitting the last quarter's profits, more favourable exchange rates should enable the group to stride forward to around £800m for the full year. The prospective p/e multiple of 15 may look rich against British Telecom's 9; or so, but there is enough excitement over Mercury, transoceanic cables and developments in Japan to sustain the glamour while yet.

# Subscribers go bananas over Geest's debut

By Richard Tomkins

The offer for sale of shares in Geest, the fruit and vegetable supplier which is being floated on the stock market, closed yesterday heavily oversubscribed—possibly 20 to 30 times. With 25.6m shares on offer—40 per cent of the equity—at 125p a share, Geest is raising £32m in the flotation, so the total sum chasing the issue could approach £1bn. More than 100,000 applications are thought to have been received. Comparisons had been drawn between Geest's flotation and that of Brake Brothers, another food distributor which came to the market last month. Brake's issue, too, was oversubscribed 25 times, and Geest was seen as a relatively inexpensive issue.

# Sumit placing at 135p a share

ALBERT E. SHARP, the Birmingham stockbroker, has successfully completed the placing of 1.46m shares in SUMMIT, the development capital organisation, at 135p a share. Six institutional investors and 350 private clients of Albert E. Sharp are taking part in the issue, which will bring SUMMIT to the main market at a capitalisation of £8.98m — a discount of 24.8 per cent to its net asset value.

# Cradley Print

Cradley Print, West Midlands lithographic printing company, has reported pre-tax profits of £1.2m (£1.05m) on sales of £27.7m for the year to end June 1986. Earnings per share were 8.3p (8.8p) and the total dividend paid 1.65p (1.5p). On December 6, shareholders will be asked to approve a two-for-one scrip issue that will increase the number of shares in issue to 37.5m.

# Blue Arrow

Acceptances of Blue Arrow's rights issue have been received in respect of 8.89m shares or 96 per cent. Shares not taken up have been sold in the market at a net price of 37.5p. The net proceeds will be permitted pro-rata to the provisional allottees entitled thereto except that amounts of less than 250p will be retained for the company's benefit.

# David Lascelles considers the successful £673m bid for Exco by B&C

## A speedy deal rich in irony

ASTONISHING, bold and rich in irony—those were just some of the comments used in the City yesterday to describe British & Commonwealth Shipping Company's eye-catching £673m bid for Exco, the money broking company.

And they all stemmed from one man, Mr John Gunn, the B & C chief executive, who appeared in the company's richly-panelled offices yesterday afternoon, amid oil paintings of sea captains and ocean liners, to say with a smile: "It's a tremendous deal."

But the question of where the merger takes B&C in the long run was decidedly secondary yesterday to the circumstances and the speed with which it was all put together. After only a month in charge at B&C, Mr Gunn has re-acquired control of the company he started seven years ago with. As it happens, B&C's financial backing and left in a fit of impatience last year. But he had to race for it.

Exco's much-publicised £320m cash hoard had attracted a crowd of suitors, including corporate raiders like the Canadian Belzberg brothers to Morgan Grenfell, who immediately began to reassemble an earlier deal which had been thwarted by the letter.



Mr John Gunn chief executive of B & C Shipping "It's a tremendous deal"

After a weekend of hectic round-the-world phone calls, B & C managed to line up Tan Sri Khoo and the Belzbergs, who had 10 per cent. Tan Sri Khoo may have been keen on a quick deal in order to preempt any backlash effect on his negotiating position arising from the seizure of the National Bank of Brunei which he controls. Among two senior executives of the bank detained in a Brunei police raid yesterday was Tan Sri Khoo's son.

By last night, B&C could

count on more than 50 per cent of Exco's shares, and the deal was to all intents and purposes in the bag. The additional shares were bought in the market by Barclays de Zoete Wedd, the investment banking arm of Barclays Bank, for which this is the largest single deal it has arranged.

Mr Gunn, of course, knows well the business he is about to buy. "Stock analysts always say money brokers have poor quality earnings. But that is not true. They have high quality earnings, and superb cash flow," he said, noting that the world money broking business was dominated by four companies, all of them British-owned, of which Exco is the biggest by far.

His task, however, is to blend Exco into B&C and create a conglomerate with wide-ranging

interests that work. He was keen yesterday to dispel the notion that his group had been channelled down the funnel of a financial services company.

In order to play down the financial services aspect, Mr Gunn will not be retaining Exco's stockbroking activities, which are to be sold under a separate agreement to Banque Indosuez of France.

"We do not want to get into the international securities business," he said. One reason is that it requires large amounts of dedicated capital which he is not prepared to commit at a time when the capital markets industry is in a state of upheaval. Another is the potential for conflict of interest with B&C's Gartmore investment management arm.

Mr Gunn will, however, be keeping the London Forfeiting Company, Exco's highly successful trade financing operation the management of which yesterday supported the deal. B&C is expected to ask its new parent for substantial additional capital to maintain its rapid growth. Exco will also bring one of the largest inter-dealer brokers in the market.

If Mr Gunn is now concerned with digesting the acquisition, the eyes of the City will be fixed on the £270m cash hoard which Exco is holding in one side to cover a potential tax liability which it is contesting in the courts.

With this large amount of money to hand, a market capitalisation of £1.2bn and no debt, B & C is in a powerful position to grow rapidly. In question, though Mr Gunn was giving few indications as to his plans yesterday.

# BET profits 21% ahead to £49m

BY CHARLES BATCHELOR

BET, the diversified services company, increased pre-tax profits by 21 per cent to £49m in the six months ended September 30. This increase was in line with City estimates and was welcomed as confirmation that BET was capable of good profits growth after the six years of restructuring.

Despite the rise in profits which was matched by a 22 per cent increase in earnings per share to 15.4p, BET's shares fell back 8p to 417p yesterday.

This drop resulted from the placing of about 2.4m BET shares at around 415p by Iccalm, a BET associate which bought shares in Brengreen and HAT, two companies recently acquired by BET.

Iccalm was used to buy shares, mainly in Brengreen, and then assented these shares to the BET offer, taking BET shares in exchange. This left Iccalm with about 5.9m BET shares to be disposed of. Four institutions took yesterday's placing and the rest will be sold to overseas investors.

BET launched three takeover bids during the six months under review — a £33m agreed bid for Shorrock, the security group; a £22m agreed bid for Brengreen, the cleaning com-

pany, and a £106m contested bid for HAT, the building services group.

Shorrock made a three-month contribution of £300,000 to BET. Brengreen contributed about £200,000 from one month's trading while HAT was not included in this half.

Earnings per share rose from 12.8p to 15.4p with 1.1p of the improvement coming from a reduction in the tax rate from 33 to 29 per cent.

The results include an extraordinary profit of £7m, principally from the reduction from 47.8 per cent to 27.75 per cent of BET's stake in Thames Television, and the sale of BET's stake in SGB, the scaffolding group, for which BET made an unsuccessful takeover bid.

Turnover rose by 7 per cent from £540.6m to £586.5m.

Industrial services remained the largest contributor to operating profit with a 40 per cent increase from £19.6m to £27.4m.

Borrowing rose by £14m to £320m over the six months period, but £5m of these resulted from the acquisition of the Iccalm shares and will be repaid once they are sold.

BET is increasing its interim dividend to 5p (4p) as part of its plan to balance more evenly

the interim and final payments. It paid a total of 16p last time.

**comment**

BET's results have allayed the market's fears that its hectic acquisition policy would continue to damage its earnings per share performance. Coming after the full year increase in eps of 24 per cent last time, yesterday's 22 per cent rise indicates BET is finally off the plateau. The initial purchase, which many thought had been too expensive, is having an earlier-than-expected impact on results and the full benefits of other more recent acquisitions have still to show through.

Transport is a problem area however, and little can be done to hedge the currency risks in southern Africa. Clever tax management has brought the tax charge down to 28 per cent, a level which should be sustainable for the year. A combination of acquisitions, organic growth and cost savings should allow BET to make £155m-£160m in the full year to produce nearly 40p of earnings per share. On a fully-taxed prospective p/e of 10.5 BET is still not tightly rated. Whatever it does, its shares stand in the shadow of more dynamic conglomerates such as BTR and Hanson Trust.

# AE's asbestos doubts

Sir John Collyear, chairman of AE, the engineering group fighting off a hostile bid from Turner & Newall, yesterday returned to the offensive over Turner's asbestos interests and said that Freshfields, the company's solicitors, have written to Turner asking for full details of its current legal exposure.

He said: "Evidence which we have gathered from the US suggests that this exposure could be very much more serious than has so far been appreciated. It

# Crowther acquisitions

John Crowther Group, one of the UK's most rapidly expanding textile companies, yesterday announced a further four small acquisitions for a total cost of £7.5m.

The company said that the acquisitions were an important part of the re-organisation of Crowther's clothing division. It is close to completion of the re-organisation of the carpets division.

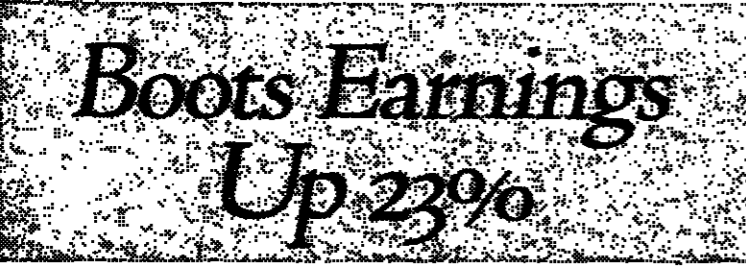
The four companies are: the fully fashioned knitwear division of Atkins Bros and three

private companies—John Mason and Sons, Staglar and 85 per cent of Robert Michaels Holdings.

The Atkins subsidiary, which had sales of £3.8m in the year to March 31, 1986, is being acquired for £1.4m. Masons, which to June 30, 1986 made pre-tax profits of £735,900, is costing £5m. Staglar, which to April 30 reported pre-tax profits of £28,000 on turnover of £1.9m, is being acquired for £266,000, and 85 per cent of Robert Michaels is costing £660,000.

# HALF YEAR RESULTS

1. EARNINGS have risen by 23% in the half year.
2. PROFIT BEFORE TAXATION amounted to £97.5m compared with £84.9m in 1985, an increase of 14.8%.



The results for the period do not include any contribution from the acquisition of Flint. Group profit for the period has benefited by £4.7m following a reduction in UK pension contributions consequent upon the triennial actuarial valuation on 1st April, 1986; this profit gain is expected to continue at a similar level. Employees' pension scheme benefits have also been improved.

3. INDUSTRIAL DIVISION sales were up by 14% and profit increased by 9.4%. Currency exchange rates adversely affected profit by £1.3m compared with the first half last year.

Exports of Advil and bulk ibuprofen to the US showed excellent growth and yielded additional advantages in UK factory activity with consequent cost benefits. Total exports increased by 43.1%. In the US competition continued to exercise pressure on pharmaceutical

margins in Boots Pharmaceuticals, Inc. Worldwide research expenditure, including that on flosequinan, increased by 20% as planned. New research facilities in the UK came on stream during the first half of the year.

Fadley baby milk products were re-introduced into the UK and some export markets at the beginning of September. Early sales results are encouraging.

4. RETAIL DIVISION sales increased by 7.7% and profit by 20.9%. UK trading profit, excluding surpluses on property disposals, rose by 18.2% after absorbing costs to date associated with the restructuring of Boots The Chemists and the recently announced "Childrens World" project.

The major reorganisation of the management structure of Boots The Chemists is proceeding according to plan, providing a much sharper focus on the various markets in which the Company is involved.

It is anticipated that the conversion of the recently acquired 'Clement Clarke Optical businesses to Boots Optical practices will be completed by April 1987 providing 82 free standing optical practices in addition to the 112 in-store departments.

As announced in October, the first three edge-of-town "Childrens World" stores will open in the Spring providing a unique and comprehensive shopping facility for families with young children. This new

Consolidated Profit and Loss Account for the half year ended 30th September 1986 (unaudited)			
	1986	1985	% Increase
	£m	£m	
Turnover (excluding VAT).....	1,063.2	980.9	+ 8.4
Profit on ordinary activities before taxation	97.5	84.9	+14.8
Taxation.....	(31.8)	(31.4)	
Profit after taxation	65.7	53.5	+22.8
Minority interests.....	(.9)	(.8)	
Profit attributable to shareholders	64.8	52.7	+23.0
Dividends.....	(25.8)	(18.3)	
Profit Retained.....	39.0	34.4	
Earnings per share.....	8.5p	7.2p	

	1986		1985	
	Turnover £m	Profit £m	Turnover £m	Profit £m
Industrial Division.....	227.4	41.1	204.1	37.3
Share of results of related companies		(.5)		(.2)
		40.6		37.1
Retail Division.....	898.7	42.7	834.1	37.3
Surplus on disposal of properties...		6.5		3.4
		49.2		40.7
Interdivisional.....	(62.9)		(57.3)	
Net interest and unallocated items		7.7		7.1
	1,063.2	97.5	980.9	84.9

development will not affect our continuing determination to expand and improve our Boots The Chemists representation in the High Street.

5. The TAXATION CHARGE comprises

	1986	1985
	£m	£m
UK.....	27.4	22.9
Overseas.....	4.4	8.5
	31.8	31.4

6. EARNINGS PER SHARE calculations are based on 763.6m (1985, 729.3m) average ordinary shares in issue, weighted on a time basis and earnings of £64.8m (1985, £52.7m).

7. Goodwill estimated at £48m arising on the ACQUISITIONS of Flint and Clement Clarke (Holdings) plc will be set against group reserves after recognition of statutory share premium relief.

8. The directors have declared an INTERIM DIVIDEND of 2.8p per share (1985 2.5p per share) which amounts to approximately £25.8m (1985 £18.3m). The dividend will be paid on 8th January 1987 to shareholders registered on 5th December 1986.

9. The OUTLOOK for the rest of the year is, as always, influenced by the Christmas trading of the Retail Division. The early results of the Flint acquisition are in line with our expectations. In view of the many developments within the Company, the directors are optimistic about the future.



# THE BOOTS COMPANY PLC

The Boots Company PLC, Nottingham NG2 3AA

J.P. Davis 15/10

UK COMPANY NEWS

# Reduced pension costs lift Boots profit to £98m

Boots, the pharmaceuticals and consumer products company, exceeded City expectations with pre-tax profits up from £88m to £98m in the half year to September 30 1986. The directors said that the conversion of the recently-acquired Clement Clarke Optical businesses to Boots Optical practices would be completed by April next year and would provide £3 free-standing optical practices and 113 in-store departments.

The industrial division showed profits up from £37m to £41m on turnover of £227 m (£204m). The directors noted that current exchange rates had reduced profits by £1.5m. Total exports rose by 43.1 per cent in the period and worldwide research expenditure rose by 20 per cent as expected.

Tax charges rose slightly to £31.8m (£31.4m) and earnings per 25p ordinary share worked through at 8.5p, up from 7.2p last time. Shareholders benefit with an interim dividend of 2.5p (2.5p).

**comment**  
Although the extra pension fund contribution came as a pleasant surprise and pushed the shares up 2 1/2 to 22 1/2, these figures reveal little about the key issues in Boots' future. The strategic reason behind the high price paid for Flint was to give Boots the opportunity to improve its margins in the US, by selling directly rather than via licensees. It is much too early to make a judgment on the wisdom of the move or on the prospects for new drugs like Provera. In the UK, the retailing division has yet to see the effects of the Clement Clarke division or the Children's World scheme. Even in the short-term, there are only mildly encouraging hints about the outlook for Christmas sales. The Boots management needs another year to prove itself but speculation still abounds on the prospects of a hostile bid and that will give the shares support. On non-property pre-tax profits of £21.5m, the prospective multiple of 13 does not indicate that the shares have much upside potential on trading grounds alone.

# HTV board considers Dataday disposal

HTV, independent television operator for Wales and the West of England, said yesterday that it was actively studying the sale or closure of Dataday its diary publishing subsidiary.

Dataday's unaudited accounts for the first half of 1985-86 had been "substantially inaccurate," HTV said at yesterday's annual meeting. The company last month reported a £1.58m operating loss in the unit for the year to July 31 and made an extraordinary provision of £4.25m.

Auditors Deloitte Haskins and Sells said that sales for that half had been inflated by about £15,000 by the erroneous duplication of invoices. A member of Dataday's accounting staff, moreover, had made an unsubstantiated adjustment which reduced the cost of sales and creditors by £500,000.

There was no indication of any intention to commit fraud, the auditors reported, and the loss did not arise from previous years.

HTV also reported lower sales in the first three months at Frost and Reed, its fine arts subsidiary.

# UNIT TRUST YEAR BOOK 1986

With over 900 unit trusts on the market offered by almost 150 management groups, both private investors and investment professionals need comprehensive guidance on this diverse and rapidly expanding market. In the Year Book, you'll find detailed profiles of every authorised UK unit trust, with full performance figures for each of the past six years, and "league tables" for each sector of the market.

Each profile explains the minimum investment required; current value of the trust; the charges made; its principal holdings; a ten-year record of dividend distributions; and other price highs and lows. Details for each management group include a summary history, address, telephone number, names of directors and names of the trusts managed.

As well as these detailed analyses, the Year Book includes a number of other valuable tables: rankings by percentage capital growth over a series of years; trusts in order of size, including details for the last four years' trust yields; showing changes in net distribution; monthly sales and total funds; and management groups in order of size and performance.

The Unit Trust Year Book also includes a number of important articles covering such vital topics as "Comments on Performance", "What is a Unit Trust?", "How to Invest", "Choosing a Unit Trust", and "Getting Advice". In short, the Year Book has everything you need to assess the value, performance - and future success - of those unit trusts already available.

Published April 1986. Available from 21st April 1986

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# Extel advances 28% to £7m

BY MIKE SMITH

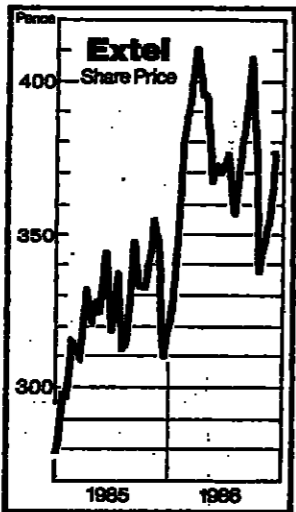
Extel Group, the sporting and financial information, printing and publishing group, which earlier this year fought off a £170m takeover bid by Demerger Group, yesterday unveiled a 27.5 per cent rise in pre-tax profits, to £7.32m, for the six months to September 30 1986.

Earnings per share were 34 per cent higher at 9.1p and the dividend was raised by 1p to 3p. The results were at the high end of City expectations and yesterday the shares rose 1 1/2 to 38p.

Although the Demerger bid failed, Extel continues to be the centre of takeover speculation. Mr Robert Maxwell, one possible predator, was barred by the Takeover Panel from bidding for the company for a year because he was deemed to have acted in concert with Demerger. He will be free to enter the fray again in the spring.

For the year to September turnover, down from £93.14m to £74.26m, was affected by the sale of Royds Advertising and the inclusion of Dealers Digest, the US financial publishing company. Mr Alan Brooker, chairman and chief executive, said that, apart from Royds, turnover increased by 21 per cent to £67.5m.

The pre-tax figure was £7.32m, up from £5.71m in 1985. Some of that, he said, was due to the company's "good acquisition with profits up to expectations. The company



of £30,000 (£23,000) and an extraordinary credit of £5.84m (nil) resulting mainly from the sale of Royds Advertising, the profit attributable was £10.43m (£3.13m).

**comment**

With Mr Maxwell waiting in the wings the Extel management needs all the ammunition it can muster to convince shareholders of its quality. Yesterday's results gave it something about which to boast. The earnings per share increase is flattered by a reduced taxation charge but the 27 per cent growth in pre-tax profits on reduced turnover represents considerable progress. Further advances will come in the remainder of the year through the printing of prospectuses for the British Gas flotation, through consolidation of the financial businesses at businesses at one centre and through publisher Benn Brothers, which has already more than trebled profits in the three years since Extel acquired it. The lower tax charge, which is largely a result of the company's US purchases, will also help. With profits of about £18m in view for the full year the prospective p/e on yesterday's share price of 38p is about 15.5. Some of that, he said, was due to the company's "good acquisition with profits up to expectations. The company

would continue to seek acquisition opportunities.

Following the decision to sell Extel House, the groups' headquarters for 30 years, trading activities which are carried out there will be relocated. A small corporate headquarters will be maintained in London.

Mr Brooker said the move would result in management benefits and financial savings. The pre-tax figure was £7.32m, up from £5.71m in 1985. Some of that, he said, was due to the company's "good acquisition with profits up to expectations. The company

# Stewart Wrightson sells French stake

Stewart Wrightson, the insurance broking group, is selling for about £268,000 its 65 per cent stake in Stewart Wrightson (France), a subsidiary operating as a general broker of French insurance business.

The buyer, Anglo-Beige France, paid a total of FF4.3m, of which FF2.8m was payable to Stewart Wrightson.

# WITHOUT US-LESS OF A LIFT

## HALF YEAR RESULTS 1986

Turnover	£686.5 m	up 7%*
Pre-tax profit	£59.1 m	up 21%*
Earnings per share	15.4p	up 22%*
Dividend	5p	up 25%*

\*against comparable 6 months

On top of a compound growth of 18% in earnings per share for the last 5 years, we're happy to report a 22% increase for the first half of this year - once again demonstrating the success of our strategy.

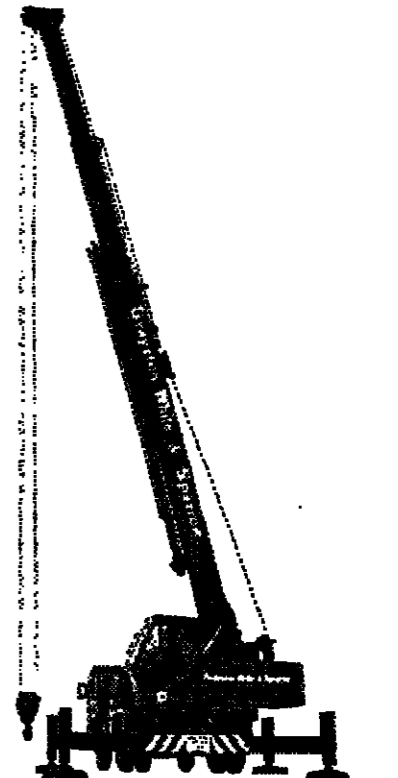
Not only have we achieved further organic growth, even in mature industries, but we have proved our ability to make acquisitions without diluting our earnings. In the first 9 months of our financial year we have acquired 12 new businesses, all of them perfect fits with our existing activities. We're well on the way to creating a world leader in support services, with the potential for true long-term growth.

For a copy of our half year results use our toll-free shareholder and employee information line 0800 289 629, or write to Christopher Legge, BET Public Limited Company, Stratton House, Piccadilly, London W1X 6AS.

Meanwhile, talking of support services, when you see the new Superman movie, remember it was a BET Plant Services crane that gave him a lift.



SERVICES YOU CAN LOOK UP TO



# Mowlem offshoot management buy-out

Managers at Contractors' Services Group are to buy the industrial hire operator from John Mowlem.

The £2m buy-out follows Mowlem's takeover of CSG's former parent, the scolding group SGB, earlier this year.

Mr Stuart Henderson will become chairman and man-

ing director of CSG. As a director of SGB, he was responsible for the takeover of the formerly listed company in 1974. Our aim is to go public in the next few months," Mr Henderson said yesterday.

CSG hires out powered Aerial work platforms, portable equipment from nine depots in Eng-

land and Scotland. It had turnover of £6m and pre-tax profits of more than £500,000, after group costs, in the year to September.

Mr Henderson and three colleagues are investing £100,000 for ordinary shares which carry profit-linked voting rights. These voting rights could rise from 20 per cent to 50 per cent within three years if "exceptional" performance and flotation are achieved.

The buy-out is backed by CIN Industrial Investments, venture capital operation of British Coal's pension fund, and Investors in Industry. Mr Philip Maskell of CIN will become a non-executive director.

The institutions preferred ordinary shares are also profit-linked, with minimum dividend of 8 per cent net.

The buy-out had been floated before the takeover by Mowlem. The construction group said yesterday that it would use the proceeds for general investment.

## 'Times' Veneer

"THE TIMES" VENEER Company has completed placing of 4,684,000 ordinary shares of 5p each at a price of 50p per share. A total of 1.2m new ordinary will be issued as consideration for the acquisition announced earlier this month. Vendors of Royston retained 305,400 of these shares and the balance of 894,600 were placed with new investors. In addition, 3.5m shares have been placed with new investors.

## I.G. INDEX

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## Halifax Building Society

Floating Rate Loan Notes 1996  
For the three month period from 20th November, 1986 to 20th February, 1987 the Notes will bear interest at the rate of 11 1/2 per cent per annum. The Coupon amounts will be £144.93 per £5,000 Note and £1449.32 per £50,000 Note, payable on 20th February, 1987.

Morgan Grenfell & Co. Limited  
Agent Bank

**THE EXPORT-IMPORT BANK OF KOREA**

**U.S.\$50,000,000 Floating Rate Notes due 1994**

In accordance with the provisions of the Notes notice is hereby given that for the six month Interest Period from November 21st, 1986 to May 21st, 1987 the Notes will carry an Interest Rate of 6.375% per annum. The Coupon amount payable on Notes of U.S.\$10,000 will be \$320.52. U.S.\$100,000 will be \$3205.21.

Agent Bank  
**FIRST CHICAGO LIMITED**

**Galliford**

Year ended 30th June	Dividends per share (pence)
1982	2.7
1983	3.0
1984	4.0
1985	4.4
1986	4.8

At the Annual General Meeting held on 20th November 1986, the Chairman, Mr. Peter Galliford, said:-

"Performance in the opening months of the current year has been encouraging and results are satisfactory ahead of last year's comparable figures.

Order books overall are judged to be of better quality than for some time, and the Chancellor's autumn statement bodes well for construction for the next year or so."

Copies of the 1986 Report and Accounts may be obtained from the Secretary, Galliford plc, Wolvey, Hinckley, Leicestershire, LE10 3JD.

# GRANVILLE

## SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross Div. (p)	Yield %	P/E	Fully Paid
146	118	Asa. Brit. Ind. Ord.	135	—	7.3	5.4	8.3	7.7
151	121	Asa. Brit. Ind. CULS...	147	+1	10.0	6.8	—	—
48	25	Armitage and Rhodes...	40ad	—	4.2	10.5	8.6	5.1
71	65	B&E Design (USA)	65	—	1.4	2.2	15.5	15.5
204	108	Bardon Hill	204	—	4.5	2.3	23.2	21.3
91	42	Bray Technologies	91ad	—	4.3	4.7	10.8	9.9
201	76	DCL Ordinary	130	—	2.9	2.2	9.2	14.4
182	86	DCL 11pc Conv. Pl.	107	—	16.7	14.7	—	—
256	80	Carborundum Ord.	256ad	—	8.1	3.6	12.4	12.7
54	25	Carborundum 7.5pc Pl.	53	—	10.7	11.5	—	—
32	20	Fredrick Parker Group	22	-0.2	—	—	—	—
126	50	George Blair	90	—	3.8	4.2	2.3	3.3
84	20	Ind. Precision Coatings	94ad	+1	6.7	7.1	8.4	8.3
218	153	Iels Group	153	—	18.3	12.0	8.8	8.8
126	101	Jackman Group	126ad	—	6.1	4.8	8.6	7.7
377	228	James Burrough	398	—	17.0	4.8	10.3	9.4
100	85	James Burrough SpcPr	93	—	12.9	13.9	—	—
1636	842	Multihouse RV (AmSt)	730	+40	—	—	41.4	54.0
300	250	Record Ridgway Ord.	377	—	—	—	6.7	11.8
100	87	Record Ridgway 10pcPl	87	—	14.1	16.2	—	—
90	32	Robert Jenkins	85	—	—	—	3.7	5.3
38	28	Servotons "A"	38	—	—	—	—	—
130	86	Torley and Carlisle	130	—	5.7	4.4	7.8	8.8
370	320	Trevlin Holdings	380	—	7.9	2.3	7.3	9.8
74	25	Unitech Holdings (St)	74	-2	2.8	3.8	13.8	12.8
102	47	Water Alexander	102	—	5.0	4.8	8.8	8.4
228	190	W. S. Yates	197	—	17.4	8.8	18.7	21.9
58	67	W. Yorks. I. H. (USM)	57	—	5.8	6.0	13.3	13.3

Granville & Company Limited  
8 Leves Lane, London EC3R 8EP  
Telephone 01-621 1212  
Member of FIMBRA

Granville Devices Coleman Limited  
21 Leves Lane, London EC3R 8DT  
Telephone 01-621 1212  
Member of the Stock Exchange

## Chloride recovery under way as profits top £5m

Chloride Group, manufacturer of batteries and related systems, reported a sharp improvement in pre-tax profits, from a depressed £700,000 to £5.3m, in the six months ended September 30 1986.

The operating profit was up from £5.2m to £7.8m despite a fall from £168.2m to £127.1m in sales.

Sir Michael Edwardes, chairman, said that the comprehensive actions initiated earlier this year were beginning to show through, with operating profit 50 per cent higher on lower sales. Interest charges reflected the reduced level of borrowings over the period.

He said that although each of the new product groups—automotive, industrial and power electronics—contributed

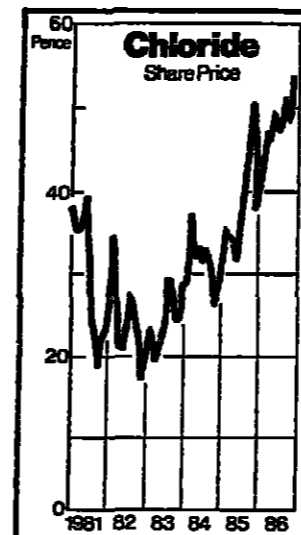
to the improved performance, there would need to be more progress made in the company's UK automotive batteries, plastics and power electronics operations.

The operating profit was arrived at before charging an exceptional debit of £700,000 (nil); the share of associated companies profits was £500,000 (£460,000), interest charges £2.3m (£4.5m), no UK tax (same) but an overseas charge of £3m (£4.6m). Minority interests took £1.3m (same) but there were no extraordinary credits (£3.7m) leaving attributable profits of £1m (£500,000).

Comparative figures included turnover of £38.1m and losses before tax of £2.3m in respect of the businesses which were sold to Dunlop Olympic during the period. The operating results for the six months benefited by £1.5m from the reduction in pension contributions.

The board expected the improved performance to continue in the second half and in view of the improved results had decided to declare a six months dividend of 3.75p per share on the 7 1/2 per cent cumulative convertible preference shares.

The dividend, which will be paid on January 5 1987 represents the balance of the 2.99p arrears in respect of the period August 7 1981 to June 30 1982 and 0.76p, part of the arrears in respect of the period July 1 1982 to December 31 1982.



## Scantronic rises to £0.5m at six months

CONTINUED strong growth and further market penetration enabled Scantronic Holdings to lift its profits for the six months to September 30 1986 from £356,000 to £527,000 pre-tax.

Turnover pushed ahead by £1.85m to £3.79m and operating profits by £279,000 to £593,000—the USM quoted group manufactures control and data communication equipment.

The directors said yesterday that the group was continuing to achieve record levels of orders for all of its products which together with new products being developed and the potential of existing markets, enabled them to look to the future with considerable confidence.

Tax for the half year accounted for £184,000 (£142,000) and left net profits of £345,000 against a previous £214,000.

Earnings emerged at 3.15p (2.04p) and the interim dividend is being lifted from 0.5p to 0.8p net per 10p share.

## Hazlewood £3m up and buying again

Hazlewood Foods, the acquisitive pickles and pizza group, yesterday revealed that its profits for the six months to September 30 had risen by £3m to £5.36m at the pre-tax level.

Along with the announcement, the group said agreement had been reached for the acquisition of 75 per cent of Ken Perrett (Evesham), a company engaged in the growing, merchandising and distribution of salad and root crops which are prepared and packaged for major supermarket groups.

Hazlewood's first half 89 per cent profits advance was achieved on the back of a 60 per cent surge in sales to £85m which reflected the group's improved emphasis on businesses with a seasonal bias towards the summer months.

In the light of the performance the interim dividend is being stepped up from an adjusted 0.67p to 1p net per 10p share, an increase of virtually 50 per cent.

During the half year they invested £2.4m in Hazlewood's factories. It is group policy to develop existing businesses and at the same time acquire companies that will enable growth to be maintained.

Trading profits for the first six months pushed ahead from £4.36m to £7.1m.

Initial consideration for Ken Perrett will be £400,000, satisfied as to £160,000 in cash and the allotment of £154,440 ordinary shares. Further consideration may be payable dependent on future levels of profitability in excess of £200,000 per annum.

For the year to June 30 Perrett had a turnover of £3m but incurred a loss of £1.5m pre-tax. Management accounts show that since July the company had returned to profitability. Net assets at end-June were some £50,000.

comment

Hazlewood has produced an outstanding figure so often that even a 91 per cent increase in pre-tax profits disappointed the markets and the shares closed down 4p at 149p. These figures show that the group has not yet lost its knack for expanding organically—around 80 per cent this half—or for spotting strategic acquisitions. The pricing arrangement for Ken Perrett (Evesham) seems to indicate that it is expected to make £200,000 per annum, which makes the exit p/s 2. Chilled foods—pizzas, pasta and pasta-will provide the spur to future growth but the spread of the group's activities limits its exposure to a downturn in any one area. The full year, £17m pre-tax looks feasible which puts the sheet on a prospective p/s of 14. Although it may not attract many buyers at that level, the growth record should discourage sell-off.

## Profits soar at Cheshire Foods

Cheshire Wholefoods, the natural foods company, reported pre-tax profits up by almost 44 per cent from £280,000 to £402,000 in the six months to September 30 1986.

Turnover for this USM-quoted company moved ahead by more than 28 per cent to £4.1m (£3.2m).

The directors said that current trading was satisfactory and they viewed the future with confidence.

They added that a new wholly-owned subsidiary to be known as Cheshire Wholefoods Ltd would enable strategic decisions on the direction of the company to be taken more expeditiously.

Tax charges rose to £130,000 from £97,000 last time and earnings per 5p share moved up to 3.55p (3.79p).

The directors declared an interim dividend of 2.03p. Last year the company paid a single dividend of 1.54p.

## Checkpoint Europe ahead

Checkpoint Europe, engaged in the distribution and sale of electronic surveillance devices, raised its profits before tax from £217,000 to £469,000 in the six months to September 30 1986. Sales improved by £1.96m to £5.27m.

The directors said they believed the positive trend would continue and added that they were looking for a strong second six months.

The profits increase reflected improved productivity per employee, the elimination of the loss-making safe division and a significant turn-around in UK operations.

Half tax accounted for £96,000 (£77,000) and earnings per 25p share emerged at 9.5p (3.5p). Extraordinary debits were £20,000 (£21,000).

The group traded on the USM to terminate the distributorship with Checkpoint Systems of the US.

comment

Checkpoint Europe's performance is impressive, particularly in the UK where the company has managed to turn a loss into a profit. The elimination of the safe division is a significant cost-cutting measure. The company's focus on electronic surveillance devices is a growing market. The USM listing provides a platform for further expansion.

### BOARD MEETINGS

TODAY	FUTURE DATES
Intracom—NMC Investments, Ocean-Wilsons, Parsons Asses, Trusts, Rothmans International, Sims Cable, King Bunchers, Somic, Stoddard, Freshams Investment Trust, British Empire Securities and General Trust, Cambrian and General Securities, Tyzack Turner.	Anglo American Corporation, Nov. 27 Baker Perkins, Dec. 4 Business Mortgage Trust, Nov. 28
C. H. Industrial, Dec. 2 Coatite, Dec. 7 Craggins Leasing, Dec. 7 Evens of Leeds, Dec. 22 Gresham Investment Trust, Nov. 28 Intracom, Dec. 1 Marling Industries, Dec. 1 Tax, Dec. 10 Treasuring, Dec. 2	Avon Rubber, Dec. 11 North British Steel, Nov. 27 Radio City, Dec. 11 Sound of Merseyside, Nov. 28 Rafico, Nov. 28

# Extel

## INTERIM UP FROM £5.7m to £7.3m

	Six months to 30 Sept 1986 £000	Six months to 30 Sept 1985 £000	Year to 31 March 1986 £000
Turnover	74,263	93,137	200,538
Profit before taxation	7,317	5,737	16,096
Earnings per share	9.1p	6.8p	21.3p
Dividends per share	3.0p	2.0p	10.0p

The above figures reflect the acquisition of Dealers' Digest, Inc and the sale of Poyds Advertising Group. Comparative figures have been restated.

- Earnings per share up 34%
- Interim dividend 50% higher
- First time profit from newly acquired Dealers' Digest
- Profit from other businesses increased by 26% — margins considerably improved
- Management benefits and financial savings will follow move from Extel House
- Further acquisition opportunities being sought

## Extel Group PLC

Extel House, East Harding Street, London EC4P 4HB.

FINANCIAL & BUSINESS SERVICES, PUBLISHING, SPECIALIST PRINTING, SPORTS SERVICES

### comment

If Chloride were a sunken ship then it would be tempting to see it as having been refloated while doubting its ability to move forward on its own. Stripping out disorganised operations and putting aside the pensions holiday, then pre-tax profits appear to

## Thomas Locker hit by sharp downturn in UK

A SHARP downturn by its UK activities left profits of Thomas Locker (Holdings) at £368,000 pre-tax for the six months to September 30, 1986, a fall of 39 per cent from last time's £594,000.

The directors said yesterday that while significant management changes had been made at Assisted and Penryn, the Weavers, the general downturn in business experienced in the UK had prevented the subsidiary from returning to profitability. The loss incurred, however, was considerably less this time.

Overall in the group, economies had been made which would show through in the second half.

Turnover for the opening half year was static at £14.42m (£14.4m)—the company is a screening and filtration engineer

## DDT falls to £353,000

DDT Group experienced a 7 per cent drop in turnover to £3.31m and a fall in pre-tax profits from £377,000 to £353,000 in the six months ended September 30 1986.

Sales showed an improvement in the second quarter and the directors said they were confident that the increased level of business would continue.

The group will continue to consolidate its existing market position while at the same time exploit new product opportunities as they arise.

It is actively pursuing acquisitions in order to enhance its position as one of the leading third party computer maintenance companies in the British Isles.

Half-year tax took £126,000 (£148,000) and earnings worked through at 3.5p (4p) per 5p share.

## London & Scottish banks' balances as at October 31 1986

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive figures published later by the Bank of England. They are prepared by the committee of London and Scottish bankers and cover the business of their offices and their subsidiaries which are listed by the Bank of England as falling within the monetary sector.

TABLE 1	Total outstanding £m	Change on month £m
<b>AGGREGATE BALANCES</b>		
LIABILITIES		
Sterling deposits:		
UK monetary sector	26,640	+ 142
UK private sector	103,140	+ 447
UK public sector	3,180	+ 154
Overseas residents	14,739	+ 278
Certificates of deposit	9,962	+ 1,182
of which: sight	156,761	+2,295
Time (inc. CDs)	66,190	- 174
Foreign currency deposits:	90,681	+2,579
UK monetary sector	19,277	-1,678
Other UK residents	47,376	+ 376
Overseas residents	46,513	+ 328
Certificates of deposit	5,569	+ 91
	78,613	-1,538
Total deposits	236,373	+ 667
Notes in circulation	940	+ 8
Other liabilities*	41,967	-3,162
<b>TOTAL LIABILITIES</b>	<b>279,281</b>	<b>-2,627</b>
<b>ASSETS</b>		
Cash and balances with Bank of England:		
Cash ratio deposits	491	+ 19
Other balances	2,269	- 218
	2,760	- 199
Market loans:		
Discount houses	4,620	+ 311
Other UK monetary sector	27,627	+ 373
UK monetary sector CDs	4,881	+ 379

Total outstanding £m	Change on month £m	
Local authorities	44,193	+1,119
Other	5,495	+ 898
<b>Bills</b>		
Treasury bills	84	- 142
Other bills	2,888	- 357
<b>Investments:</b>		
British Government stocks	6,257	+ 97
Foreign Government stocks	5,132	+ 106
Other	11,390	+ 257
<b>Advances:</b>		
UK private sector	100,768	+ 61
UK public sector	1,296	- 189
Overseas residents	5,994	78
<b>Other sterling assets*</b>	197,054	- 125
	16,833	-1,585
<b>Foreign currencies</b>		
UK monetary sector	18,789	-1,082
Certificates of deposit	565	+ 16
Other	38,174	- 572
<b>Bills:</b>		
Advances:		
UK private sector	7,155	+ 232
UK public sector	322	+ 24
Overseas residents	18,598	+ 277
<b>Other foreign currency assets*</b>	26,678	+ 323
	9,219	+ 29
<b>TOTAL ASSETS</b>	<b>279,281</b>	<b>-2,627</b>
Acceptances	5,523	+ 812
Eligible liabilities	115,232	- 722

\* Includes items in suspense and in transit.

### TABLE 2. INDIVIDUAL GROUP BALANCES

LIABILITIES OUTSTANDING	CLSB Group £m	Bank of Scotland £m	Barclays £m	Lloyds £m	Mitand £m	National Westminster £m	Royal Bk. of Scot. £m	Standard Chartered £m	TSB £m
Sterling deposits:									
Change on month	156,761	6,152	34,753	24,271	25,933	43,657	8,444	3,422	10,585
Foreign currency deposits:									
Change on month	79,613	1,248	16,065	11,827	15,215	22,782	3,352	9,140	794
Total deposits:	236,373	7,400	50,818	36,098	41,179	66,439	12,496	12,562	11,379
Change on month	+667	+321	+743	-1,515	-829	+986	+336	-36	+738
<b>STERLING ASSETS OUTSTANDING</b>									
Cash and balances with Bank of England:	2,760	344	369	355	582	489	485	12	143
Change on month	-199	+26	-167	-58	+48	-30	-9	-5	+5
Market loans—UK monetary sector:	32,307	733	7,071	4,256	4,222	11,581	863	935	2,062
Change on month	-112	-291	+117	-432	+17	+538	284	-4	+327
Other:	11,887	167	2,463	1,523	1,529	3,466	267	396	1,978
Change on month	+1,222	+42	+243	+178	+31	+554	+33	-62	+182
<b>BILLS:</b>									
Change on month	2,970	128	812	721	151	512	239	62	289
British Government stocks:	6,257	599	1,048	899	1,062	1,064	230	214	1,812
Change on month	-599	-13	-163	-229	-405	+11	+48	-71	+162
Advances:	100,768	574	97	47	+69	+162	-3	214	1,812
Change on month	107,054	+172	24,728	16,982	18,321	26,779	7,298	2,621	5,283
Change on month	-186	-35	-339	+13	-83	-124	+49	+35	+139
<b>FOREIGN CURRENCY ASSETS OUTSTANDING</b>									
Cash and bills:	54,295	590	11,721	9,531	9,086	18,251	2,350	6,316	48
Change on month	-1,678	+89	+232	-1,217	-190	-646	+178	55	+29
Advances:	26,678	995	4,225	3,287	6,422	6,464	1,387	3,642	85
Change on month	+533	+16	+581	+25	-127	+125	+14	+86	+1
<b>ACCEPTANCES OUTST</b>									

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AUTHORISED UNIT TRUSTS

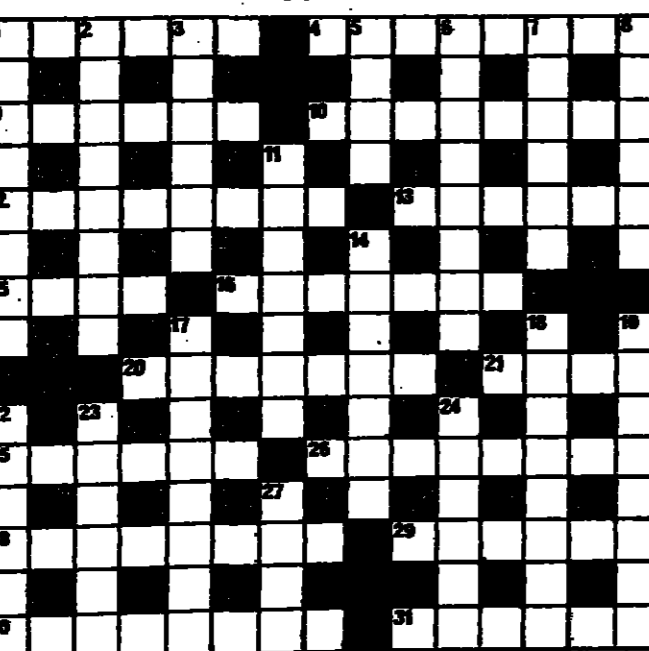
Table listing various unit trusts such as Abbey Unit Trst, Allied Home Unit Trst, and Archway Unit Trst, including their respective managers and details.

FT UNIT TRUST INFORMATION SERVICE

Main table containing detailed information for numerous unit trusts, including names like Bridge Fund Managers, Fidelity Investment Services, and various other investment funds.

JOTTER PAD advertisement for Financial i Limited, featuring a logo and contact information: call 01-351 6955.

F.T. CROSSWORD PUZZLE NO. 6,183



- ACROSS clues: 1 Swan that makes an impression soundly (5), 4 The buck stop here (3), 10 Mendelssohn's fourth, the Italian, has triangle sound getting bigger (8), etc.

Solution to Puzzle No. 6,182, showing the filled-in crossword grid with words like 'SHEPHERD', 'SHOWERS', and 'MAGNETS'.

INSURANCES

Table listing various insurance companies and their services, including names like Abbey Life Assurance Co Ltd and others.

AUTHORISED UNIT TRUST & INSURANCES

Main table listing various financial products, including American Life Insurance Co UK, British National Life Assurance Co Ltd, and others, with columns for company names, addresses, and contact information.

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INSURANCE, OVERSEAS & MONEY FUNDS

Table listing various insurance and financial services, including Knight Williams & Company Ltd, London & Partners Ltd, and others.

Table listing insurance and overseas funds, including Charternbank, Frabisher Fund Limited, and others.

Table listing money funds, including J. Henry Schroder Wagg & Co Ltd, and others.

Table listing money funds, including Warrington Investment Management, and others.

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A selection of options traded in the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Swiss bank in London bullion move

BY STEFAN WAGSTYL

UNION BANK OF Switzerland, one of the three Swiss banks which form the Zurich Gold Pool, is to start making markets in bullion in London next year.

EEC grain levy under fire

BY TIM DICKSON IN BRUSSELS

AN EEC tax on grain production is coming under increasing fire from European farmers, traders and cereal processors.

Contestants line up to battle for UK edible oils market

BY ANDREW GOSWAMI

BRITAIN'S \$700m-a-year edible oils industry is bracing itself for what promises to be a bitter price war in the next few months as large amounts of new crushing and refining capacity come on stream in a market where consumption is stagnant at best.

Table with 2 columns: Refinery Capacity (000 tonnes per year) and 1984/1987. Lists companies like Unilever, Acato's & Hutcheson, etc.

aggressive bidding from buyers in Germany and Belgium. Much more important on the refining side, however, has been the fierce competition for market share between UK refiners and importers of oil.

The margins are under intense pressure at the moment, and must be related to new capacity coming on stream, says Mr Ken Eldred, chairman of the Seed Crushers and Oil Processors Association and managing director of UK bulk oils and fats subsidiary.

The LGM's 53 associate members, UBS is in the midst of a steady expansion of its precious metals trading activities. In recent years it has opened trading offices in New York and Hong Kong and is planning one in Australia. In Switzerland, it has built a new refinery.

Strong yen sparks off Mississippi clam rush

By David Owen in Chicago The strength of the yen and a squeeze on supplies in the upper Mississippi River sent US fresh water clam shell prices soaring in the season just ended, and the year's harvest is a worrying conservationists.

Woolmen seek Merino safeguard

The Wool Council of Australia has voted to support a proposed ban on the export of Australian merino sheep genetic material, reports Reuter from Adelaide.

PHYSICALS - The London market opened slightly lower, attracted little interest throughout the day and closed uncertain, reports Lewis and Peet. Closing prices (buyers): Spot 63.00 (same); Dec 61.00 (same); Jan 61.25 (same); Feb 61.50 (same); Mar 61.75 (same); Apr 62.00 (same); May 62.25 (same); Jun 62.50 (same); Jul 62.75 (same); Aug 63.00 (same); Sep 63.25 (same); Oct 63.50 (same); Nov 63.75 (same); Dec 64.00 (same); Jan 64.25 (same); Feb 64.50 (same); Mar 64.75 (same); Apr 65.00 (same); May 65.25 (same); Jun 65.50 (same); Jul 65.75 (same); Aug 66.00 (same); Sep 66.25 (same); Oct 66.50 (same); Nov 66.75 (same); Dec 67.00 (same); Jan 67.25 (same); Feb 67.50 (same); Mar 67.75 (same); Apr 68.00 (same); May 68.25 (same); Jun 68.50 (same); Jul 68.75 (same); Aug 69.00 (same); Sep 69.25 (same); Oct 69.50 (same); Nov 69.75 (same); Dec 70.00 (same); Jan 70.25 (same); Feb 70.50 (same); Mar 70.75 (same); Apr 71.00 (same); May 71.25 (same); Jun 71.50 (same); Jul 71.75 (same); Aug 72.00 (same); Sep 72.25 (same); Oct 72.50 (same); Nov 72.75 (same); Dec 73.00 (same); Jan 73.25 (same); Feb 73.50 (same); Mar 73.75 (same); Apr 74.00 (same); May 74.25 (same); 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CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling loses ground

STERLING CONTINUED to lose ground in currency markets yesterday. Opening levels were sharply weaker, following a sell-off in the Far East which dealers suggested was prompted by recent comments made by Mrs Margaret Thatcher that sterling was not going to join the exchange rate mechanism of the EMS at least until after the next general election.

Sentiment may also have been influenced by a recent opinion poll which showed the Labour Party ahead of the Conservative Party. Trading was rather thin and nervous and this tended to exaggerate currency movements.

Sterling's exchange rate index opened at 67.6 down from 67.0 on Wednesday and fell to 67.5 mid morning before recovering to 67.7 by 11 am. However it soon slipped back to 67.6 by 11.30 am and then to 67.5 by 1.30 pm. October's banking figures appeared to have little effect, partly because of a lack of comparative data due to a change in the accounting period.

The pound closed at \$1.4110 down from \$1.4180 and DM 2.2825 compared with DM 2.2975. It was also weaker against the yen at ¥229.80 from ¥230.25. Elsewhere it slipped to Sfr 2.2850 from Sfr 2.2875 and Ffr 9.2775 from Ffr 9.2825.

The dollar was confined to a very narrow range just above the important DM 2.0 level. The release of personal income which showed a 0.4 per cent rise in line with expectations while a 2.0 per cent fall in consumer spending was well below expectations. This added to the dollar's overall bearish tone, coming in the wake of poor housing start figures and an uninspiring third quarter US GNP revision.

However there was a marked reluctance to push the dollar, through the DM 2.0 level, in the face of further indications on the sluggish US growth rate since speculators seemed convinced that central banks would intervene to defend this level.

The dollar closed at DM 2.0080 against DM 2.0075 on Wednesday and ¥162.75 compared with ¥162.40. It was barely changed against the Swiss franc at Sfr 1.67 from Sfr 1.6705 and unchanged against the French franc at Ffr 6.5750. On Bank of England figures, the dollar's exchange rate index finished at 111.0 down from 110.9.

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FINANCIAL FUTURES

Further record in gilt trading

TRADING VOLUME in the long gilt sector broke through the 30,000 level for the first time yesterday in the London International Financial Futures Exchange. A total of 31,800 lots were traded, worth £1.57bn. This was a 20 per cent rise over the previous record set on Wednesday. Heavy liquidation of positions in early trading reflected concern over a further decline in the value of sterling and the growing prospect of higher interest rates.

Speculators were also unsettled by continued election fever and an opinion poll released yesterday which showed that the Labour Party had moved back ahead of the Conservative Party. The selling was expected to continue after the start of trading in Chicago but sterling's steadier performance in the afternoon and a stronger US bond market prompted a scramble to cover short positions with dealers unwilling to go short overnight.

After opening at 105.16 the December long gilt contract touched a high of 105.06 before coming back to a high of 105.20 and closing at 105.18 compared with 105.14 on Wednesday.

Reaction to the latest money supply figures was muted with traders more concerned with the performance of sterling.

Short sterling acted in much the same way, but was still down from Wednesday's close as the prospect of higher interest rates depressed the market.

Barro-dollar prices showed a modest increase following comments by a US official hinting at the possibility of another cut in the US discount rate. US bond prices were also firmer but slipped from the day's highs on profit taking.

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EUROPEAN CURRENCY UNIT RATES

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MONEY MARKETS

Sterling's fall causes concern

INTEREST RATES continued to rise in London yesterday as the market viewed sterling's decline with increasing concern. Three-month interbank money rose to 11% 11/4 per cent from 11% 1/2 per cent on Wednesday. However it is probably a little early to speculate about the possibility of higher bank base rates although this has been signalled out as the authorities' only effective measure in halting the pound's decline.

Overnight money opened at 9% 9/8 per cent and eased to 9% 1/8 per cent some time in the early afternoon. However a downward revision of the UK clearing bank base rate on October 15 has caused a fall away to a low of 4 per cent in the day's short-term sale rates.

The Bank of England forecast a shortage of around £150m in late trading on Wednesday. Markets are speculating about the possibility of higher bank base rates although this has been signalled out as the authorities' only effective measure in halting the pound's decline.

FT LONDON INTERBANK FOND

Table with columns for currency, rate, and term. Lists interbank rates for various currencies.

MONEY RATES

Table with columns for currency, rate, and term. Lists money market rates for various currencies.

NEW YORK

Table with columns for currency, rate, and term. Lists New York money market rates.

LONDON MONEY RATES

Table with columns for currency, rate, and term. Lists London money market rates.

CURRENCY FUTURES

Table with columns for currency, rate, and term. Lists currency futures prices.

EXCHANGE CROSS RATES

Table with columns for currency, rate, and term. Lists exchange cross rates for various currencies.

BASE LENDING RATES

Table with columns for bank, rate, and term. Lists base lending rates for various banks.

WORLD VALUE OF THE DOLLAR

Table with columns for country, value, and term. Lists world value of the dollar for various countries.

BASE LENDING RATES

Table with columns for bank, rate, and term. Lists base lending rates for various banks.

WORLD VALUE OF THE DOLLAR

Table with columns for country, value, and term. Lists world value of the dollar for various countries.

BRITISH FUNDS

Table of British Funds with columns for Name, Share Price, and Dividend Yield. Includes sub-sections for 'Shorts (Lives up to Five Years)', 'Over Fifteen Years', and 'Index-Linked'.

AMERICANS—Cont.

Table of American Stocks with columns for Name, Share Price, and Dividend Yield. Includes sub-sections for 'CANADIANS' and 'BANKS, HP & LEASING'.

LONDON SHARE SERVICE

BUILDING, TIMBER, ROADS—Cont.

Table of Building, Timber, and Roads stocks with columns for Name, Share Price, and Dividend Yield.

DRAPERY & STORES—Cont.

Table of Drapery and Stores stocks with columns for Name, Share Price, and Dividend Yield.

CHEMICALS, PLASTICS

Table of Chemicals and Plastics stocks with columns for Name, Share Price, and Dividend Yield.

ELECTRICALS

Table of Electrical stocks with columns for Name, Share Price, and Dividend Yield.

DRAPERY AND STORES

Table of Drapery and Stores stocks with columns for Name, Share Price, and Dividend Yield.

FOOD, GROCERIES, ETC.

Table of Food, Groceries, and other consumer goods stocks with columns for Name, Share Price, and Dividend Yield.

BEERS, WINES & SPIRITS

Table of Beers, Wines, and Spirits stocks with columns for Name, Share Price, and Dividend Yield.

HOTELS AND CATERERS

Table of Hotels and Caterers stocks with columns for Name, Share Price, and Dividend Yield.

ENGINEERING—Continued

Table of Engineering stocks with columns for Name, Share Price, and Dividend Yield.

INDUSTRIALS

Table of Industrial stocks with columns for Name, Share Price, and Dividend Yield.

AMERICANS

Table of American stocks with columns for Name, Share Price, and Dividend Yield.

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INDUSTRIALS-Continued. Table listing various industrial stocks with columns for stock name, price, and other financial metrics.

LEISURE-Continued. Table listing leisure-related stocks such as hotels and entertainment companies.

PROPERTY-Continued. Table listing real estate and property-related stocks.

INVESTMENT TRUSTS-Cont. Table listing various investment trusts and funds.

FINANCE, LAND-Cont. Table listing financial and land-related stocks.

MINES-Continued. Table listing mining stocks.

INSURANCES. Table listing insurance companies and their stock prices.

MOTORS, AIRCRAFT TRADES. Table listing automotive and aircraft-related stocks.

NEWSPAPERS, PUBLISHERS. Table listing newspaper and publishing companies.

PAPER, PRINTING, ADVERTISING. Table listing paper, printing, and advertising companies.

SHIPPING. Table listing shipping and maritime-related stocks.

SHOES AND LEATHER. Table listing shoe and leather goods companies.

SOUTH AFRICANS. Table listing South African stocks.

TEXTILES. Table listing textile companies.

TOBACCO. Table listing tobacco companies.

TRUSTS, FINANCE, LAND. Table listing trusts, finance, and land-related stocks.

OVERSEAS TRADERS. Table listing overseas trading companies.

PLANTATIONS. Table listing plantation companies.

OIL AND GAS. Table listing oil and gas companies.

OVERSEAS TRADERS. Table listing overseas trading companies.

PLANTATIONS. Table listing plantation companies.

MINES. Table listing mining stocks.

DIAMOND AND PLATINUM. Table listing diamond and platinum-related stocks.

CENTRAL AFRICAN. Table listing Central African stocks.

AUSTRALIANS. Table listing Australian stocks.

REGIONAL & IRISH STOCKS. Table listing regional and Irish stocks.

NOTES. A section containing various notices, disclaimers, and legal information regarding the data provided in the tables.

LONDON STOCK EXCHANGE

Strong rally in Government bonds helps share prices to steady from recent setback

Account Dealing Dates
Option
\*First Declared Last Account
Dealings Days Dealings Day
Nov 19 Nov 20 Dec 1 Dec 1

Nominees which hold a near-25 per cent interest and Robert Holmes & Cour's Bell Group with 10 per cent. Elsewhere, Midland eased 4 1/2p to 40p in the wake of a seminar held on Wednesday with brokers James Capel, Lyde, however, ended 3 dearer at 42p.

FINANCIAL TIMES STOCK INDICES
Table with columns for Govt Secs, Fixed Interest, Ordinary, Gold Mines, Ord. Div. Yield, Earnings Yld. (incl. Div.), P/E Ratio (incl. Div.), SEAQ Turnover (Spn), Equity Turnover (Gen), Equity Trades (mln), Shares Traded (mln) and columns for Nov. 20, Nov. 19, Nov. 18, Nov. 17, Nov. 14, Nov. 11, Nov. 8, Nov. 5, Nov. 2, Nov. 1986, Since Completion.

control of McCorquodale with acceptance to its final increased offer of 50.2 per cent. Earlier in the day, some 5.1m shares of McCorquodale were purchased from Samuel Montagu and subsequently Norton declared its offer, due to close today, unconditional but rival bidder Debuta disputed this claim. Both share prices tumbled.

three-day gain of 85, amid mounting hopes for its mineral exploration programme in Northern Ireland and a bid for a five-for-one share split to be announced early in December. Atlantic Resources were another Irish issue to get better at 23p, up 2 Elsewhere, Petrol firm 4 to 54p pending the outcome of bid discussions with a Berkeley Exploration added a penny to 63p following the agreed increase to 1.425 per share.

Turnover, however, was described as modest. Calus Resources were marked 7 higher to 26p in London following overnight advances from Sydney, the shares were heavily traded, the conditional month of 55 per cent of the equity placed with Horizon Oil, a company ultimately controlled by New Zealand merchant bankers Fay, Richwhite.

Business among the oil majors remained at a relatively low level. British Petroleum's third-quarter profits were in line with estimates and the price edged up 5 to 68p. Shell improved 4 to 94p.

Traded Options
The resurgence of takeover activity in London equities ensured another lively session in traded options. FTSE 100 activity was spread across a wide range of shares, with 1,232 contracts traded. Cable and Wireless recorded 2,222 puts despite the pleasing interim statement. Guinness was in demand ahead of the ADR facility with 1,262 calls traded. By far the most active stock was Newbury last week with 13,222 calls. Home, the December 180s and 200s accounting for 2,885 and 4,724 trades respectively. Hanson also contributed 3,797 puts, with the March 200 series proving popular and attracting 2,001 trades. FTSE 100 index attracted 1,058 calls and 1,471 puts. Total contracts struck yesterday amounted to 28,427.

South African mining markets traded in an extremely thin and uncertain manner. Sentiment was weak as the price of precious metals fell. The Cape Copper price was particularly low in the light of further Reserve Bank intervention in the currency market. The Rand against the dollar. Investors in other major international trading centres, however, displayed little inclination to take a view either way as most contracts were generally maintained at a slightly easier bias to the close.

Traditional Options
First dealings
Nov 17 Dec 15
Last dealings
Nov 23 Dec 12
Feb 19 Mar 5
Feb 19 Mar 19
Mar 2 Mar 19
For rate indications see end of Unit Trust Services section.

TRADING VOLUME IN MAJOR STOCKS

Table showing trading volume for Alpha securities deal through the SEAQ system yesterday until 5 pm. Columns include Stock, Volume, Closing price, Day's change, etc.

RISES AND FALLS YESTERDAY
Table with columns for Rise, Fall, Same, etc.

LONDON RECENT ISSUES

EQUITIES
Table with columns for Issue, Price, Date, etc.

FIXED INTEREST
Table with columns for Issue, Price, Date, etc.

"RIGHTS" OFFERS
Table with columns for Issue, Price, Date, etc.

Renunciation date usually last day of dealing for a share. A renounced dividend, or a dividend on a renounced share, is a dividend that is not payable on a share because the shareholder has renounced the right to it. It is usually paid to the shareholder who has renounced the right to it.

land had built a 4.9 per cent stake in the company. Avana slumped 3 1/2p to 47p, a two-day fall of 32p, on further consideration of the security disappointing interim figures, while Hellenic Foods lost 4 to 149p following the interim results and acquisition news. In the Retailing sector, ASDA-MFI closed a couple of pence cheaper at 149p, after 53p, as some 5m shares changed hands including a single block trade of 2.7m shares. Bejama gained 8 to 170p as bid resources revived.

Pilkington up on bid
Pilkington provided the outstanding feature of the day, advancing strongly to close 8 1/2p higher at 611p on news of the bid worth around 554p per share from BTR, the latter raised 2 1/2p to 251p. This followed several months of persistent takeover speculation and market operators expect Pilkington to put up a strong defence against the bid, while some sources were talking of a possible counter-offer from RTZ. Elsewhere in the miscellaneous industrial leaders, Becham, which announced interim figures at the lower end of market estimates, closed 7 cheaper at 42p, but Books, up 2 1/2 at 222 1/2p, reflected satisfaction with the half-year statement. Hanson Trust became a better market, closing 5 better at 158 1/2p in yet another active trading session; 19m shares changed hands yesterday. BRT gave up 8 to 417p following the interim figures, but Exel responded to trading news with a

LONDON TRADED OPTIONS

Table with columns for Option, Jan, Apr, July, etc.

Table with columns for Option, Feb, May, Aug, etc.

Table with columns for Option, Sept, Dec, Mar, etc.

Table with columns for Option, Jun, Sep, Dec, etc.

Geo. Wimpey improve

Leading Building issues gave a steeper performance. Recently-2001 George Wimpey staged moderate rally and closed 7 better at 185 1/2p, while Barrat Developments improved 4 to 122p. Blue Circle, in which Adelaide Steamship recently revealed a stake, picked up late to close 7 dearer at 63p. Elsewhere, Raize Industries added 2 to 71p following the optimistic AGM statement. While Thy Hams attracted support at 24p, up 3, Helical Bar hardened a few pence to 48 1/2p. Timbers made a brighter showing, Magnet and Southern rising 6 to 206p.

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FT-ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS
Table with columns for Index, Day's Change, etc.

FIXED INTEREST
Table with columns for Index, Day's Change, etc.

Opening index 1614.3; 10 am 1608.2; 11 am 1605.1; Noon 1605.1; 1 pm 1607.2; 2 pm 1607.7; 3 pm 1609.0; 3.30 pm 1609.1; 4 pm 1607.9

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\* Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday Issues. A new list of constituents is available from the Publishers, the Financial Times, Bankers, Cannon Street, London EC4P 4BB, price 15p, by post 25p.

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WORLD STOCK MARKETS

AUSTRIA

Table of stock prices for Austria, including companies like Creditanstalt, Gossner, and others.

GERMANY

Table of stock prices for Germany, including companies like AEG, Allianz, and others.

NORWAY

Table of stock prices for Norway, including companies like Bergens Bank, Christiania Bank, and others.

AUSTRALIA (continued)

Table of stock prices for Australia, including companies like Gen. Prop. Trust, Hardie, and others.

JAPAN (continued)

Table of stock prices for Japan, including companies like MHI, Nippon Steel, and others.

CANADA

Table of stock prices for Canada, including companies like Alcan, Bell Canada, and others.

BELGIUM/LUXEMBOURG

Table of stock prices for Belgium/Luxembourg, including companies like B.S.L., Belg. Gen. Ins., and others.

SPAIN

Table of stock prices for Spain, including companies like Banco de España, Banco de Vizcaya, and others.

SWEDEN

Table of stock prices for Sweden, including companies like ASEA, Alfa Laval, and others.

HONG KONG

Table of stock prices for Hong Kong, including companies like Bank East Asia, Cathay Pacific, and others.

JAPAN

Table of stock prices for Japan, including companies like Alljimoto, Daiichi Kangyo Bank, and others.

SINGAPORE

Table of stock prices for Singapore, including companies like Southeast Asia, DDB, and others.

NETHERLANDS

Table of stock prices for Netherlands, including companies like ADF Holding, AEGON, and others.

FRANCE

Table of stock prices for France, including companies like Air France, Bouygues, and others.

FINLAND

Table of stock prices for Finland, including companies like Amer, KOP, and others.

ITALY

Table of stock prices for Italy, including companies like Banco Comite, Banco di Napoli, and others.

SWITZERLAND

Table of stock prices for Switzerland, including companies like Adia Int., Alpi, and others.

NEW YORK

Table of stock prices for New York, including indices like Industrials, Transport, and Utilities.

OVER-THE-COUNTER

Table of over-the-counter stock prices, including companies like Repco, PNC, and others.

London

Table of London stock prices, including companies like BARRIS, Barker, and others.

Indices

Table of various stock indices, including New York, London, and others.

Special Subscription

Advertisement for a special subscription to the Financial Times, Europe's Business Newspaper, with a map of Switzerland and Portugal.

Special Subscription

Advertisement for a special subscription to the Financial Times, Europe's Business Newspaper, with a map of Spain and Portugal.

Chief price changes

Table of chief price changes for various commodities and currencies.

FALLS

Table of stock prices that have fallen, including companies like Tr 13% 97, Avana, and others.

WORLD

Table of world stock prices, including companies like BARRIS, Barker, and others.





NYSE COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices. Columns include Stock, High, Low, Last, and Change. Includes sub-sections for 'Continued from Page 48' and 'UK COMPANY NEWS'.

AMEX COMPOSITE CLOSING PRICES

Table of AMEX Composite Closing Prices. Columns include Stock, High, Low, Last, and Change.

OVER-THE-COUNTER Nasdaq national market, closing prices

Table of Over-the-Counter (Nasdaq) closing prices. Columns include Stock, High, Low, Last, and Change.

# FINANCIAL TIMES

## WORLD STOCK MARKETS

### WALL STREET

## Blue chips inspire new confidence

**BATTERED** takeover stocks climbed aboard the blue-chip bandwagon on Wall Street yesterday as share prices advanced strongly on a broad front, writes *Roderick Orum in New York*.

The rally came from within the stock market and lacked any outside help from bond prices which suffered losses of more than 1/2 a point.

The Dow Jones industrial average closed up 34.03 at 1,860.88. The New York Stock Exchange composite index advanced 2.40 to 139.02 on moderately heavy volume of 158.12m shares, with 327 issues advancing and 237 declining.

Among blue chips General Motors was up 1 1/4 to \$72 1/2, Eastman Kodak advanced 3/4 to \$67 1/2, AT&T was up 1/4 to \$28 1/2 and General Electric gained 1/4 to \$7 1/2.

After three days' turmoil in the markets in the wake of the Boesky insider trading scandal, investors broadened their sights yesterday from beyond the blue chips which had been their main interest on Wednesday.

For the first time this week stocks linked to takeover speculation attracted buyers after suffering as a group a 10

per cent fall in value earlier in the week amid market fears that many takeover and restructuring deals could not be consummated in the present turbulent environment.

Most prominent of the recovering speculative stocks was Goodyear Tire and Rubber which gained 1 1/4 to \$43. It said it was offering \$50 a share for 37 per cent of its stock held generally and buying for \$49 1/2 the 11.5 per cent stake of Sir James Goldsmith's investment group which was contemplating a takeover offer. It was the most active with 7.5m shares, or about 7 per cent of the total, changing hands.

Among other takeover and restructuring stocks which rebounded, Holiday Corp, the Holiday Inns chain, jumped \$1 1/4 to \$70. Drexel Burnham Lambert said it was confident it could raise the funds for the company's restructuring. Holiday said some banks had expressed interest in helping with the financing.

Lear Siegler rose 2 1/4 to \$81 1/2. It said on Wednesday it would do its own restructuring if Wickes, unchanged at \$4, failed to complete its takeover of it. Wickes said it was having difficulty getting sufficient money for the bid. AFG, which had dropped an earlier bid for Lear, said it had bought a 4.8 per cent stake.

TWA, the main corporate vehicle of Mr Carl Icahn, who is bidding for USX, gained 1 1/4 to \$22 1/2 while USX rose 3/4 to \$21 1/2. Both stocks had fallen sharply this week as the market wondered whether Mr Icahn could pursue the bid in the current unsettled environment.

Lucky Stores advanced 3/4 to \$32 1/2. Mr Asher Edelman reactivated his 33.7

a-share offer for the company which is offering to buy back shares.

CPC rebounded 3 1/4 to \$75 1/2. The food group, which has been identified as a takeover target, announced some restructuring moves on Wednesday.

Gillette, the object of a bid from Mr Ronald Perelman's Revlon group, eased 3/4 to \$59 1/2.

Hewlett-Packard rose 1 1/4 to \$41 1/2. It announced profits for the year of \$2.02 a share, in the middle of analysts' forecasts. Other computer makers were also ahead. IBM rose 3/4 to \$123 1/2, Digital Equipment rose 1/2 to \$100 1/2, NCR gained 1/4 to \$45 1/2 and Unisys advanced 3/4 to \$78 1/2.

Among companies reporting results yesterday, Navistar was unchanged at \$5 1/2 after returning to a loss and Campbell Soup rose 3/4 to \$68 1/2 on net profits of 90 cents a share for the third quarter against 82 cents a year earlier.

Credit markets eased back after the strong rise on Wednesday, prompted in part by comments from Governor Manuel Johnson of the Federal Reserve. But on further reflection yesterday the market decided that his suggestion that the Fed had a bit more policy flexibility was not the same as saying a discount-rate cut was imminent.

The price of the benchmark 7.50 per cent Treasury long bond due in 2018 fell 1/4 of a point to 100 1/2 at which it yielded 7.48 per cent.

Three-month Treasury bills rose five basis points to 5.37 per cent while six-month gained 10 basis points to 5.43 per cent and year bills advanced 11 basis points to 5.51 per cent.

### EUROPE

## Frankfurt boosted by foreigners

**STRONG** demand from foreign investors for blue chips lifted Frankfurt yesterday while most other bourses also ended the day on a firmer note largely as a result of domestic factors.

Frankfurt, which rose on Tuesday ahead of a holiday, has suffered from an absence of foreign traders in recent months. Their return yesterday pushed the Commerzbank index, set at mid-session, 12 higher to 1,987.2.

Demand focused initially on blue chip Siemens, up DM 11 to DM 703.50, Daimler, DM 14 higher at DM 1,277, and Deutsche Bank, up DM 9.5 to DM 801.50. All three groups have reported, or are expecting, steady to improved profits.

The blue-chip rises soon spread to other shares in their respective sectors. Among electricals AEG added DM 2.50 to DM 313, and computer maker Nixdorf was DM 12.20 up at DM 702.

Foreign buying also boosted the bond market with long maturities adding up to 160 basis points although most rises ranged between 30 and 75 basis points.

The Bundesbank sold DM 134m of paper in its daily market-balancing operation after selling DM 78m on Tuesday.

Amsterdam also benefited from buying by foreign investors, and advances were seen in most sectors although trading was quiet.

Multinationals experienced most activity, partly recovering from the nervousness over insider trading which took them lower on Wednesday.

Philips, which announced a restructure project for a fifth-generation computer, advanced 30 cents to Fl 45.40. Unilever rose a strong Fl 5 to Fl 496.50 and Royal Dutch edged 60 cents higher to Fl 205.70.

Zarich firmed despite renewed pressure on chemicals following reports of a gas leak from a Ciba-Geigy plant.

Bearer shares in Ciba-Geigy slipped Sfr 70 to Sfr 3,305 and Sandoz Sfr 175 to Sfr 9,850. Hoffmann-La Roche "baby", however, rose Sfr 150 to Sfr 11,575.

Elsewhere, blue chips led banks and insurances higher, and industrials were taken higher by demand for Nestlé which rose Sfr 9,200.

Brussels staged a recovery in an active session marking the beginning of the new trading account, and shares closed generally higher.

Bargain-hunters pushed GBL back up after two days of steep losses connected with an inquiry into the operations of its

US affiliate, Drexel Burnham Lambert. GBL ended Bfr 180 higher at Bfr 3,680 ex-dividend.

Petrofina gained Bfr 20 to Bfr 9,430. Chemicals were mixed, with Solvay adding Bfr 80 to Bfr 8,350 and UCB down Bfr 150 to Bfr 8,740.

Paris also rallied in active business on the last day of the bourse trading month as institutions bought in anticipation of a strong start to the new month today.

Blue chips ended mainly firmer, also helped by Wall Street's upturn on Wednesday and optimistic economic news at home.

Thomson-CSF, whose shareholders approved an increase in capital, gained Ffr 15 to Ffr 1,530.

Among the few blue-chip losers, Elf Aquitaine eased 30 centimes to Ffr 308.50 and Imetal was off Ffr 1.90 to Ffr 55.10.

Milan was exceptional in closing lower after heavy selling, partly caused by uncertainty over the passage through parliament of the 1987 budget.

Fiat was down L180 to L14,220, Generali L3,225 to L125,800 and Olivetti L500 to L12,850. But Montedison held its own, closing L30 higher at L2,955.

Madrid continued its upward trend on optimism about the inflation rate. Construction, food and bank stocks led the advance.

Stockholm, too, was higher, with the downturn in interest rates a key factor. Volvo added Skr 7 to Skr 383 in advance of the company's announcement of lower third-quarter earnings.

Esselte, the office supplies group, was steady at Skr 150. It announced lower nine-month profits.

Oslo rose marginally in quiet trading.

**LONDON**

**A RALLY** by government bonds, the firm start on Wall Street and some good corporate results helped share prices to stabilise in London yesterday. Confidence was also given a boost by the return of takeover activity.

Early gains were trimmed, but the FT-SE 100 index managed to close 6.4 higher at 1,610.7 and the FT-Ordinary index ended 1 up at 1,250.8.

Oils were distracted from the Opec meeting by BP's results, and BP closed 5p higher at 688p.

Pillington Bros leapt 81p to 611p even though BTR's bid for it had been widely predicted in the market. International money broker Exco was 38p higher at 267p in response to the agreed terms offered for the equity by British and Commonwealth Shipping.

After two days of sharp losses, the gilt sector found its footing again. Long-dated Treasuries recouped early losses and closed with a few scattered gains of 1/4 of a point.

Chief price changes, Page 47; Details, Page 46; Share information service, Pages 44-45.

**HONG KONG**

**FOREIGN** institutions began selling late in the session in Hong Kong, and prices generally eased.

However, the government land auction on Wednesday continued to affect property shares which closed steady to higher. SHK rose 20 cents to HK\$17.30, and New World Development added 5 cents to HK\$8.80.

Hutchison Whampoa lost 50 cents to HK\$40.50, and Hongkong Electric slipped 10 cents to HK\$10.00. The two groups plan a major investment in a Chinese power plant project, Cheung Kong, Hutchison's affiliate, lost 50 cents to HK\$31.25.

Among other utilities China Light fell 10 cents to HK\$19.70. Trading group Swire Pacific added 10 cents to HK\$16.70.

**AUSTRALIA**

**THE BULLION** price, which slid in New York and Asia, once again determined the trend of shares in Sydney, pushing them generally lower and proving Wednesday's upturn short-lived.

The All Ordinaries index ended 4.9 lower at 1,330.9, off the day's lows after some selective buying emerged.

ACI, the diversified packaging group which reported improved first-half profits, gained 2 cents to AS\$4.82.

In lower turnover, most golds, mining stocks and industrials followed the earlier trend, but Posidon proved an exception, gaining 4 cents to AS\$5.24 and Central Norseman managed a 10-cent rise to AS\$13.40 after dropping to AS\$13.00.

**SINGAPORE**

**PROFIT-TAKING** amid an absence of fresh factors took Singapore generally lower, with blue chips registering some of the larger falls.

The Straits Times industrial index eased 1.18 to 886.90 in light trading.

Malaysian counter Sri Hartamas suffered from heavy selling for the second consecutive session. It fell 8.5 cents to 88.5 cents on continued speculation that it had been subjected to forced selling. After the close the company requested a temporary suspension of trading in its shares.

**CANADA**

**GAINS** on Wall Street gave the lead to Toronto which traded higher in most major sectors.

Among metals and mines, which led much of the rise, Rio Algom traded CSI higher to C\$20 1/2 and Noranda added C\$4 to C\$20 1/2.

Among firmer golds, which shrugged off the weaker bullion price, Lac Minerals was C\$4 firmer at C\$28.

In Montreal most sectors were mixed to marginally lower.

### TOKYO

## Spotlight falls on chemicals

**GROWING** demand for issues with a strong business performance helped Tokyo to rise moderately, writes *Shigeo Nishizaki of Jiji Press*.

Drugs and housing-related stocks were popular, but issues involved in redevelopment projects dipped. Large-capital stocks were again neglected.

The Nikkei average rose 20.75 to close at 17,304.56, but volume remained low at 339.55m shares against Wednesday's 382.09m. Losses outpaced gains 410 to 372, with 176 issues unchanged.

Investors were reluctant buyers, following reports of corporate profit declines and personnel cuts. Institutions which bought large-capital and consumer issues in August and October have suffered an evaluation loss on the subsequent plunge in prices. Market analysts predicted these shares would be unloaded when the market recovers.

In the circumstances, investors sought issues with a sound business outlook, such as pharmaceuticals, which major securities companies are recommending for possible development of new drugs using biotechnology. Takeda Chemical advanced Y80 to Y2,310, topping its all-time high of Y2,300 scored on September 6. Sanryo rose Y80 to Y1,460 and Taisho Pharmaceutical Y80 to Y1,750.

Lion was also bought, reaching Y1,520 with a Y50 jump. Kao went up Y10 to Y1,620 and Shiseido Y100 to Y2,080.

Buying of housing-related issues grew, reflecting a smooth increase in housing starts and the Government's plans to boost consumer-spending. Daiwa House closed Y80 higher at Y1,790 and Sekisui House Y40 up at Y1,680.

Kokuyo, which chalked up a record recurring profit for the year ended in September - the third consecutive annual record - rose Y70 to Y1,900. Nippon Columbia increased Y40 to Y1,450, reflecting its higher output of compact discs.

With popularity rapidly dwindling, Japan Steel Works lost Y4 to Y382. It was the most active stock, but volume was only 20.74m shares. But Sumitomo Heavy Industries, with 15.09m shares, registered a moderate Y7 gain to Y275.

Among large-capital issues, Tokyo Gas sagged Y9 to Y941, and Tokyo Electric Power fell Y120 to Y7,370. Nippon Kokan was Y10 up at Y212, but its volume was low.

Bond trading was active, with investors encouraged by the sharp rise on the US bond market. Both dealers and institutional investors reacted calmly to the upward revision of US gross national product for the third quarter announced on Wednesday.

Dealers traded actively, and city banks stepped up buying on the comment by Mr Manuel Johnson, vice chairman of the US Federal Reserve Board, that there was room for an interest-rate cut in the US.

The 6.2 per cent government bond due in July 1998, which has recently been weak, advanced with its yield falling to 5.180 per cent from 5.210 per cent on Wednesday. The yield on the 5.1 per cent government bond maturing in June 1998, expected to replace the 6.2 per cent bond as the benchmark issue, fell steeply to 5.490 per cent from 5.757 per cent in active trading.

**SOUTH AFRICA**

**THE LOWER** bullion price took golds sharply lower in Johannesburg. Among golds Randfontein lost R11 to R284 and Kloof R2.50 to R31.50.

Rustenburg Platinum was R1.25 lower at R43.75, but diamond share De Beers was steady at R32. Mining financial Gencor fell R2 to R55.

Industrials closed generally mixed.

KEY MARKET MONITORS			
Paris CAC General Dec 31, 1982-100		Dow Jones Industrial Average	
Frankfurt Commerzbank Dec 1, 1953-100		FT-Ordinary Share Index	
STOCK MARKET INDICES			
NEW YORK			
DJ Industrials	1,841.11	1,826.63	1,439.22
DJ Transport	820.13	819.50	665.74
DJ Utilities	205.49	205.03	164.50
S&P Composite	239.57	237.68	198.59
LONDON			
FT-100	1,250.8	1,250.8	1,121.6
FT-SE 100	1,610.7	1,604.3	1,424.3
FT-A All-share	800.45	798.35	696.04
FT-A 500	874.77	872.23	763.12
FT Gold mines	309.1	310.9	293.6
FT-A Long gilt	10.86	10.80	10.44
TOKYO			
Nikkei	17,304.56	17,283.81	12,642.9
Tokyo SE	1,417.70	1,419.79	986.88
AUSTRALIA			
All Ord.	1,330.9	1,335.8	966.4
Metals & Mins.	642.7	651.3	493.7
AUSTRIA			
Credit Aktien	233.74	227.89	219.10
BELGIUM			
Belgian SE	n/a	3,923.58	2,947.28
CANADA			
Toronto	2,080.9	2,057.90	1,876.0
Composite	3,007.5	3,000.00	2,511.0
Financial	1,518.95	1,510.71	136.23
DENMARK			
SE	n/a	n/a	227.77
FRANCE			
CAC Gen	381.70	378.40	296.7
Ind. Tendence	148.80	145.80	88.6
WEST GERMANY			
FAZ-Aktien	661.56	closed	589.79
Commerzbank	1,887.20	closed	1,742.27
HONG KONG			
Hang Seng	2,246.95	2,248.34	1,757.29
ITALY			
Banca Comm.	n/a	718.98	422.84
NETHERLANDS			
ANP-CBS Gen	280.70	278.70	238.1
ANP-CBS Ind	280.60	278.20	211.4
NORWAY			
Oslo SE	379.49	377.41	405.07
SINGAPORE			
Straits Times	886.90	886.08	747.85
SOUTH AFRICA			
JSE Golds	n/a	n/a	1,224.0
JSE Industrials	n/a	n/a	1,001.9
SPAIN			
Madrid SE	182.66	178.51	101.05
SWEDEN			
J & P	2,584.73	2,577.13	1,519.72
SWITZERLAND			
Swiss Bank Ind	573.9	570.00	536.4
WORLD			
MS Capital Int'l	341.00	341.00	240.4
COMMODITIES			
(London)	Nov 20	Prev	
Silver (spot fixing)	386.85p	381.85p	
Copper (cash)	£328.50	£361.75	
Coffee (Nov)	£2,047.00	£2,032.50	
Oil (Brent blend)	\$15.00	\$15.375	
GOLD (per ounce)			
(London)	Nov 20	Prev	
London	\$389.25	\$393.25	
Zurich	\$389.55	\$393.25	
Paris (fixing)	\$388.20	\$393.44	
Luxembourg	\$387.25	\$392.00	
New York (Dec)	\$388.50	\$388.50	

# Muscle in on the thriving German economy.

Germany boasts the third largest economy and fourth largest stock market in the world.

The GT Deutschland Fund invests exclusively in German equities and can therefore offer the investor a unique opportunity to tap this strength.

It's a fund that has been created specifically to take advantage of the political stability, financial strength and commitment to sheer hard work which has made Germany the most successful industrial nation in Europe.

WILL GERMANY'S STRENGTH CONTINUE?

Germany's economic, monetary and social climate has encouraged steady long-term industrial growth. As a result, German industry confidently continues to invest in its own future prosperity. With an inflation rate now below 1%, coupled with low interest rates, the German economy is looking healthy.

German manufacturing industry, with its strong, stable management and its excellent industrial relations record, is reaping the rewards of the ever growing reputation of its products in the world markets.

WHY IS GT THE NATURAL LEADER IN THIS VENTURE?

GT has many years of investment experience in European markets and were among the first to spot the dramatic changes in the German market.

GT was one of the first to notice that it had successfully shaken off its traditional lethargy.

And to be convinced of the fundamental values available in that stock market.

(The GT Germany Fund, launched in the UK one year ago, rose some 60% as at 21st October, offer to offer)

WHY IS THE TIME RIGHT FOR GERMAN INVESTMENT?

GT believes that the long-term trend is still highly promising and that Germany is now an essential part of any portfolio.

As a group, GT's policy has always been to take a longer view - to aim for consistent, solid growth over time, and as far as Germany is concerned, the time still seems right.

The GT Deutschland Fund offers investors the opportunity to profit from the continuing strength and stability of the German stock market.

And the sooner you take advantage of it, by filling in and sending the coupon below, the sooner you could be watching your money grow.

To: Julie Fallaize, GT Management (Guernsey) Limited, PO. Box 366, Hirzel Court, Guernsey, Channel Islands.

Name \_\_\_\_\_

Address \_\_\_\_\_

If you are a US citizen please tick this box.

This advertisement does not constitute an offer of Units in the Fund. Applications for Units may only be made on the basis of the current explanatory memorandum of the Fund, which contains full details about the Fund.

## GT Deutschland Fund